

Submitted by	Organization	Date Submitted
Michael Linn mlinn@ppcpdx.org	Public Power Council	May 19, 2022

The Public Power Councilⁱ appreciates the opportunity to provide comments on the Third Revised Straw Proposal of the Day-Ahead Market Enhancements. PPC remains very supportive of CAISO's efforts to enhance the day-ahead market. PPC strongly supports both the creation of new imbalance reserve products and modifications to the Residual Unit Commitment (RUC) to allow procurement of downward capacity. PPC believes if correctly designed and implemented, the Day-Ahead Market Enhancements will create benefits for both load and suppliers through increased market efficiency and by providing a market-based mechanism and price for flexible resources to provide flexible capacity. PPC is concerned about the expanded role of local market power mitigation in the latest straw proposal. The new proposed scope of local market power mitigation will disincentivize external resource participation and creates serious concerns in the context of an extended day-ahead market.

CAISO staff has clearly articulated the need for, and the benefits provided by, the Day-Ahead Market Enhancements for years now. PPC does not agree with stakeholders that argue CAISO has not sufficiently demonstrated the need for enhancing the day-ahead market. The challenges CAISO faces managing the increased number of variable resources with the existing day-ahead market design and products have been well documented throughout this stakeholder process and other CAISO reports. Analysis performed by CAISO over the last several years has demonstrated a clear need for the modifications. Operators have been routinely relying on out-of-market actions such as load conformance and exceptional dispatch to set up the CAISO BAA with sufficient flexible capacity to reliably meet real-time operating conditions. The regular reliance on out-of-market actions is inefficient and undermines the economic signals provided by market prices. The improvements contemplated in the day-ahead enhancements are necessary components of market that is capable of reliably and efficiently integrating a high level of renewable generation and a foundational element of expanding the day-ahead market to EIM entities.

PPC maintains the original market formulation that would have combined IFM and RUC into a single co-optimized market run was superior foundation for EDAM than the current proposal. Additionally, PPC is concerned the expanded scope of market power mitigation is unjustified and will undermine external resource participation. Mitigating resources to a competitive availability price creates the risk that hydro resources will be committed at a price below the true cost their capacity and the real-time offer cap exacerbates concerns they will be dispatched below their opportunity cost. This is particularly concerning in the context of EDAM which would require EDAM entities to submit a matching quantity of reliability capacity for submitted energy bids.

ⁱ PPC members are statutory preference customers of the Bonneville Power Administration (BPA) and represent over 90 percent of BPA's Tier 1 sales. Overall, Northwest public power is the largest purchaser of BPA's power products and services and is among the largest purchasers of BPA's transmission products and services, funding nearly 70 percent of the agency's total power and transmission costs.