



## Stakeholder Comments Template

### Extended Day-Ahead Market Issue Paper

This template has been created for submission of stakeholder comments on the **Extended Day-Ahead Market (EDAM) issue paper** that was posted on October 10, 2019. Information related to this initiative may be found on the initiative webpage at: <http://www.caiso.com/informed/Pages/StakeholderProcesses/ExtendedDay-AheadMarket.aspx>.

Upon completion of this template, please submit it to [initiativecomments@caiso.com](mailto:initiativecomments@caiso.com) by close of business on November 22, 2019.

Submitted by	Organization	Date Submitted
<i>Danielle Osborn Mills (916-320-7584)</i>	<i>American Wind Energy Association (AWEA)-California</i>	<i>11/22/2019</i>

For the topics below described in the issue paper, please provide your organization's comments on whether the item is within the scope of this initiative. If so, suggestions for how to address the the issue. Also, include suggestions for additional topics to be added to the scope of this initiative. Include detailed examples to support your organization's comments.

**Please note**, the EIM Governing Body and the ISO Board of Governors have jointly established an EIM Governance Review Committee (GRC) that is charged with leading a public process, separate from this initiative, to develop proposed refinements to the current EIM governance. The GRC's role includes considering and developing any proposed changes to EIM governance that may be necessary for EDAM. Comments related to the governance topic should be provided in that process and not in the EDAM initiative.

#### 1. Transmission Provision

AWEA-California is hopeful that EDAM, if properly designed and successfully implemented, can provide substantial benefits across the Western Interconnection and enhance integration of renewable resources to support various state policy goals. One key element of EDAM will be the provision of, and potential cost for, transmission that is made available to the market. Comments in this section touch on a number of key transmission considerations,

as discussed in the subsections below.

### **Ensuring Sufficient Market Access to Transmission Capacity while not Thwarting Potential Long-Term Power Transactions**

In order to be as beneficial as possible, EDAM will need to have a large quantity of transmission available for the market optimization to utilize in commitment and dispatch decision. If only a small portion of total transmission rights within the footprint are provisioned to the market, the benefits of this new market may be minimized.

At the same time, this stakeholder initiative should consider what market policies or protections can be put forward that can ensure that EDAM does not provide an incentive for transmission providers with captive customers to procure (or not release) transmission capability which may be available or become available on their systems. While a successful EDAM will likely drive many transactions of a daily nature from the bilateral market and into EDAM, as EDAM is currently envisioned it would not replace the longer-term, contractual, OATT-based nature of transmissions service in the Western Interconnection. Therefore, entities wishing to transact on a longer-term basis (from a week to multiple years) will likely still need to procure OATT transmission service to do so. Thus, renewable generation that will be “wheeled” from one Balancing Authority Area to another on a long-term basis, for instance to fulfill delivery under a long-term power purchase agreement, will often need to procure long-term transmission service to do so, under the current delivery requirements that generally exist in the OATT portion of the West.

The EDAM transmission provision construct should seek to ensure that transmission providers are not incented to purchase any available transmission capacity on the system to “hold” it for use in EDAM, thereby removing its availability for longer-term transactions. The EIM has seen this situation unfold and CAISO should be mindful of preventing the same type of situation in EDAM on a much larger/broader scale.

### **Exploration of New/Modified Delivery Structures Enabled by EDAM**

AWEA-California strongly supports EIM/EDAM Entity exploration of whether the EDAM could be used as a mechanism for delivery of power within the EDAM footprint, reducing the tendency for resource procurement activities to require long-term firm transmission service to the off-taker. If commercial delivery requirements can be modified going forward, to reflect the creation of EDAM and the increased means of delivering power and financially settling its output, the overall benefits of EDAM could be greatly enhanced. The CAISO stakeholder initiative should, to the extent possible, help stakeholders in the West begin to have these types of discussions about how EDAM will impact transacting in the West, not only on a daily basis, but also for longer-term agreements.

## **Reducing “Seams” Between EIM and EDAM due to Transmission Provision Constructs**

Additionally, as CAISO considers transmission provision and potential for transmission charges within the market, it will be critical to ensure that the “seams” between EIM and EDAM are addressed and eliminated. For instance, if an EDAM transmission rate is established for some transmission provision in EDAM, but the EIM continues to operate with no transmission charges, the CAISO’s EDAM optimization would have different results than EIM’s due to the differing hurdle rates that would apply. The result of having a transmission charge in EDAM but not in EIM would be that many transactions would not occur in the day-ahead timeframe and would be “pushed” into real-time.

### **2. Distribution of congestion rents**

It is critical that distribution of congestion rents provide such distribution to more than just the EIM/EDAM Entities. Within each EIM Entity area, there may be other market participants, load-serving entities, and transmission owners that should be afforded distribution of congestion rents due to their ownership of transmission rights in the EIM/EDAM system. As with all aspects of EDAM, the CAISO should take a “fresh look” at distribution of congestion rents to ensure that distribution is equitable across various market participants and types of entities that will be affected by congestion and consider the unique construct of the bilateral West, where more than just load serving entities own transmission capacity and may be entitled to congestion rents by virtue of that ownership.

### **3. Resource sufficiency evaluation (including forward planning and procurement; trading imbalance reserves and capacity; EIM resource sufficiency evaluation)**

In order to capture as many benefits as possible from EDAM, the resource sufficiency evaluation and design needs to include a mechanism for EIM/EDAM Entities to trade bid ranges with relative ease. Doing so will allow the EDAM to best optimize across the full footprint, though we recognize it must address transmission revenue concerns. As discussed under the “transmission provision” section, this initiative will need to consider the impacts (and potential changes that will be required) in the non-CAISO West and this may require rethinking the way “delivery requirements” are utilized in resource procurement in the West. Transfer of bid range could be an effective mechanism to replace the long-term transmission delivery requirements that generally govern contracting in the West today, even if a mechanism is designed to compensate for transmission service that would otherwise need to be purchased, relaxing the contract path constraints would provide substantial benefits in transacting in the West. CAISO should explore this possibility, and continue to be mindful of how EDAM’s design can enhance transacting in the Western Interconnection in general, even if that

requires coordination with EIM/EDAM Entities throughout the course of this stakeholder initiative.

**4. Ancillary services**

Ideally, EDAM would co-optimize energy and ancillary services across the full EDAM footprint and allow for trading of ancillary services between participating BAAs. Effective implementation of this structure will require common definitions regarding ancillary services and how those services can be provided. As various renewable resources have demonstrated, they can provide ancillary services and allowing for co-optimization of ancillary services (including those that are offered by renewable resources) can help enhance the benefits of EDAM.

**5. Modeling of non-EDAM imports and exports**

**6. External participation**

**7. Accounting for greenhouse gas costs**

GHG accounting remains one of the areas that appears most difficult to implement on a day-ahead basis. AWEA-California looks forward to participation in this aspect of the market design. As GHG cost and accounting moves forward, CAISO should seek a solution that accommodates different state's individual preferences, captures market efficiencies and, as much as possible, avoids seams within the market. We look forward to working with CAISO and other stakeholders to help find solutions to accounting for GHG costs.

**8. Convergence bidding**

**9. Price formation**

**10. EDAM administrative fee**

**11. Review of day-ahead settlement charge codes**

**12. Miscellaneous (inter SC trades)**

**13. EIM Governing Body classification**

**14. Additional items to be added to scope:**

As development of EDAM moves forward, a number of critical market policy decisions will need to be made. As AWEA-California discussed above, CAISO should take a “fresh look” at what has worked best in EIM and what elements of EIM can be improved. One area of EIM which requires improvement when the market is expanded to cover a much larger volume of transactions that occur in the day-ahead timeframe, is the market implementation differences that occur between EIM Entity areas and the potential for different treatment of resources across EIM regions.

For example, within the EIM, many pieces of the tariff that govern the EIM are included within the EIM Entities' OATTs. This results in some discrepancies between individual EIM areas and can even create effective "seams" within the EIM. One example is that PacifiCorp currently settles losses outside of the EIM. For imbalances that occur under its imbalance schedules, the marginal loss component of the LMP is removed and losses are settled at the LAP price based on a preestablished loss percentage outlined in the OATT. This is different than the way most EIM Entities settle for losses and can create discrepancies in EIM settlement and ideal flows within the EIM.

Another example is transmission charges for EIM dispatch. While FERC has ruled that (FERC-jurisdictional) transmission providers cannot charge a transmission rate for EIM dispatch under the "reciprocity" transmission framework of the EIM, there have been different interpretations of the rules by some EIM Entities (which can serve to discourage certain types of EIM participation in those EIM areas). EDAM should reduce the possibility for these types of differences to occur between EIM Entity areas.

As EDAM proceeds, AWEA-California believes that it is imperative for the market to be consistent across the footprint and for the tariff provisions that can affect competitive outcomes (such as access to the market and terms for transmission service) to be under the authority of an independent entity (i.e. the CAISO). Therefore, as the market design moves forward, AWEA-California urges CAISO to include as much of the tariff language and market design provisions as possible within the CAISO tariff and to leave as little as possible to the individual EDAM Entity tariffs.

Additionally, CAISO will need to consider how to coordinate its EDAM stakeholder initiative with a stakeholder process for EDAM entities that may wish to join EDAM and will need to update their own tariffs accordingly. While this will likely not occur for some time, CAISO should be thinking ahead to the right "point" at which such coordination would need to occur and how that will interact with EDAM's market design in the CAISO stakeholder process, as the two processes cannot be wholly independent of one another.