



Comments of the American Wind Energy Association (AWEA) and AWEA-California on the CAISO’s February 11-12th Extended Day-Ahead Market (EDAM) Technical Workshops on “Bundle 1” (Transmission Provision, Resource Sufficiency, and Congestion Rent)

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Introduction

AWEA is the national trade association for the U.S. wind industry. AWEA-California is a project of AWEA, representing companies that develop, own, and operate utility-scale wind, solar, storage, offshore wind, and transmission assets. AWEA-California works to drive immediate and sustained development of new utility-scale renewable energy to propel California toward a carbon-free electric future, and advocates for procurement processes and market structures that fully value and deploy the energy and capacity attributes of renewables to achieve an affordable, reliable, resilient, and carbon-free grid.

AWEA and AWEA-California appreciate the opportunity to provide comments on the February 11th and 12th EDAM Technical Workshops and presentations. AWEA is appreciative of all the work that CAISO and the Energy Imbalance Market (EIM) Entities have put into exploring and considering EDAM in the last few years. AWEA is hopeful that EDAM, if properly designed and successfully implemented, can provide substantial benefits across the Western Interconnection and can enhance integration of renewable resources to support various state energy policy goals in an efficient and effective manner. Additionally, AWEA is hopeful that EDAM represents the “next step” toward increased regional coordination and incremental progress toward a larger Western Regional Transmission Organization (RTO) and not the “end game” for market expansion in the Western Interconnection because an RTO is an optimal way for California and other states in the West to cost-effectively and reliably achieve clean energy policy requirements.

In order to achieve these objectives, EDAM will need to be properly designed. Its interaction, and overlay, with the existing bilateral market, the EIM, and the existing CAISO day-ahead market, make its implementation and design extremely complex. While urgency should be taken in designing and implementing EDAM to realize its benefits, it is also critical to take the time to develop a market structure that is workable and will deliver the desired benefits for all participants. Therefore, AWEA asks CAISO to consider spending additional time and effort in the EDAM stakeholder process to further explore, via workshops or other meetings, a variety of issues prior to issuing a Straw Proposal on “bundle 1” EDAM items. Additionally, in these comments AWEA suggests new principles in the EDAM design and highlights a number of questions related to the topics discussed at the technical workshops.



Overarching Principles

During the workshops, CAISO put forward a number of key principles for extending the day-ahead market to EIM Entities. While these “key principles” are certainly a good starting point, it is imperative that additional principles be explicitly stated at the beginning of this initiative, such that they are not inadvertently forgotten as market design moves forward. AWEA suggests the addition of the following principles for the EDAM initiative.

- ***Fair and equitable access to the market for all interested participants***
 - [Note that this principle should apply not only to Balancing Authority Areas (BAAs), but also to other Load Serving Entities and to supply/demand side resources]
- ***Promote consistency of rules and requirements across the participating footprint***
 - (Note that, in the governance initiative, AWEA has proposed that the EIM Governing Body should have authority to review and approve EIM Entity tariff changes related to the market as “consistent with” the market design in order to ensure this principle is achieved in EIM and EDAM going forward)
- ***Encourage the most efficient market outcomes and use of infrastructure possible***

While these principles may be “implied”, specifically including them will be important as the stakeholder process moves forward such that stakeholders can evaluate future proposals against these explicitly stated principles. If these principles are not called out and remain “implied”, then they may be viewed as secondary to the principles pertaining to BAA independence and control over resource and transmission planning. As a result, equitable market access, consistency and efficient market outcomes may suffer in EDAM’s design. Thus, AWEA urges the CAISO to add these overarching principles for EDAM’s design.

Resource Sufficiency

Resource sufficiency testing within EDAM is important to the participating entities to ensure that one participant isn’t “leaning on” the capacity resources of others in the market without proper compensation. AWEA looks forward to continued discussion regarding demonstration of resource sufficiency by EIM Entities and the transmission requirements for demonstration of resource sufficiency for remote resources. CAISO and the EIM Entities should be exploring transmission requirement options that might provide additional efficiency to the current contract path use of the transmission system. For instance, the resource sufficiency test should be structured in a way that can enable long-term contracts between EDAM areas without requiring that the transmission for these transactions is available on a long-term Available Transfer Capability (ATC) basis, but allowing the resources to be counted for resource sufficiency purposes during times when there is transmission available.

Additional discussion on resource sufficiency testing appears needed. While the EIM Entities are striving for a “simple and workable” test, some of the proposed pieces of the resource



sufficiency test are far from simple and may create an unworkable framework. AWEA encourages CAISO to work with the EIM Entities to determine whether “simple and workable” is truly the objective and, if it is, whether there are pieces of the EIM Entities’ proposed test structure that could be eliminated to make the proposal adhere to that objective.

There were discussions about the resource sufficiency test also being applied to third-party entities within a BAA. AWEA recommends that CAISO and the EIM Entities proceed with caution on development of “sub-requirements” within the EIM Entity areas, particularly given the existing ancillary service schedules BAAs charge third-party customers which may overlap with resource sufficiency requirements. If sub-requirements are developed, they should be consistent with the CAISO’s resource sufficiency test and, to ensure equitable treatment and consistency across the market, CAISO should explore including those sub-requirements within CAISO’s market design and tariff (rather than implementing them at the individual EIM Entity level).

AWEA looks forward to additional discussion on resource sufficiency as this initiative moves forward.

Transmission Provision

AWEA appreciates the discussion around transmission provision to EDAM and the importance of designing a transmission provision (and compensation) structure that allows for the most efficient market outcomes, while still ensuring that EIM Entities transmission revenues are not negatively impacted.

The EIM Entities have suggested that two “buckets” of transmission would be available for the EDAM to use free of charge. And a third “bucket” would require a transmission charge (or hurdle rate) in order for EDAM to utilize it. This construct could potentially, depending on the quantity of transmission in the free “buckets”, allow for many EDAM transfers to occur without incurring a wheeling charge, which would promote market efficiency. However, CAISO should further explore the market impacts that would occur as the limit of the two free transmission buckets is approached between BAAs. It appears that the sudden imposition of a transmission charge to EDAM transfers could have negative impacts on market efficiency and prices, which would be exacerbated if there are different EDAM wheeling rates between EDAM BAAs and/or if entities are allowed to freely modify the amount of free transmission that is available to the market. Additionally, CAISO should explore whether there should be some sort of minimum Bucket 1 and 2 transmission provision requirements in EDAM to ensure that different transmission providers are equitably contributing the transmission availability for the market and that a transmission provider is not leaning on Bucket 3 transmission in a way that may harm others. At a minimum, the methodology used for determining the different buckets of transmission availability should be transparent to all stakeholders.



Notably, while the workshops focused on transmission provision/compensation for transfers between BAAs within EDAM, there has not yet been discussion regarding any transmission requirements that may be placed on resources internal to an EDAM Entity. For EDAM, and even for EIM, it is important that the same transmission requirements apply footprint wide to ensure equitable results for customers in different BAAs. Therefore, as part of the CAISO stakeholder initiative, it would be helpful to explore whether the market will include any specific transmission-related requirements for resources within an EDAM Entity area.

CAISO should also explore any real-time market (EIM) efficiency impacts from implementation of this structure in the day-ahead market. It seems necessary for CAISO's EDAM design to ensure a consistent transmission framework (and charge) exists between the day-ahead market and the real-time market. Additional discussion and exploration of this and other transmission considerations via a stakeholder meeting or technical workshop would be appreciated. AWEA also suggests that the EIM Entities consider working collaboratively with interested third-party transmission customers to develop proposals and positions related to third-party customer issues associated with EDAM. Early engagement with interested parties will help promote successful policy development on this front.

Congestion Rents

AWEA appreciates the discussion around congestion rent allocation within EDAM. Congestion rent will be closely aligned with the EDAM transmission provision/compensation structure.

While allocation of congestion rents for transfers between BAAs were the primary subject of discussion during the technical workshops, AWEA encourages CAISO and the EIM Entities to ensure that congestion rent allocation aligns with *transmission customer* rights that may be used or donated into EDAM. Entities, including non-BAAs, that own transmission and make it available for EDAM transfers should certainly be compensated for that transmission provision via congestion rents. AWEA looks forward to continued exploration of this topic as the initiative moves forward.

Conclusion

EDAM represents a unique opportunity to increase efficient market outcomes and increase the ability to integrate renewable energy resources across a large swath of the West without requiring a full expansion of all of CAISO's functions. AWEA is anxious to work collaboratively with CAISO and the EIM Entities to design an EDAM framework that achieves those benefits and helps move the region closer to a full RTO with all its associated benefits. We look forward to additional discussion, workshops and proposals on these "bundle 1" EDAM issues.