



Stakeholder Comments Template

Day-Ahead Market Enhancements Phase 2 Initiative

This template has been created for submission of stakeholder comments on the issue paper and straw proposal that was published on February 28, 2019. The paper/proposal, Stakeholder meeting presentation, and other information related to this initiative may be found on the initiative webpage at:

<http://www.caiso.com/informed/Pages/StakeholderProcesses/Day-AheadMarketEnhancements.aspx>

Upon completion of this template, please submit it to initiativecomments@caiso.com. Submissions are requested by close of business on March 21, 2019.

Submitted by	Organization	Date Submitted
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Please provide your organization’s comments on the following issues and questions.

1. Proposed Day-Ahead Market Structure

Please provide your organization’s feedback on the proposed day-ahead market structure topic as described in section 3 of the proposal. Please explain your rationale and include examples if applicable.

The Day-Ahead Market Enhancements (DAME) initiative is the biggest change to the day-ahead (DA) market design since the implementation of the Market Redesign and Technology Upgrade. Because the majority of the CAISO financial settlement occurs from the DA market, it is imperative to allow sufficient time to thoroughly understand the implications as any change can have significant financial impacts on customers. The Phase 1 of the DAME would be a conversion from an hourly DA market to a 15-minute DA market with the intended purpose to reduce the need for the 15-minute market to adjust the hourly day-ahead awards to 15-minute

granularity. This could reduce the amount of real-time flexibility required to resolve granularity differences between the two markets. Therefore, it is unclear if a DA Flexibility Reserve Product is required, as there may be already sufficient flexibility in the real-time or from resources started up in the short-term or real-time unit commitment processes. The CAISO is risking implementing a product to resolve a problem that may not exist. It is also unclear why this new must offer product is required because, except under limited circumstances such as import RA and requiring long start-up time, resources shown under the resource adequacy program already have a must offer requirement in real-time.

CLECA is concerned that the introduction of a new capacity product will increase electricity costs as resources are already being paid through their RA contracts to offer their resources' attributes into the CAISO markets.

For the above reasons, CLECA recommends deferral of the design of Phase 2 until after a Phase 1 process, which is focused on addressing improved DA market awards to reflect ramping. Such deferral will allow for the necessary information to be gathered to inform the Phase 2 design.

Please provide your organization's position on the proposed day-ahead market structure topic as described in section 3 of the proposal. (Please indicate Support, Support with caveats, Oppose, or Oppose with caveats)

For the above reasons, CLECA opposes at this time the DAME Phase 2 because it is pre-mature.

2. Day-Ahead Flexible Ramping Product

Please provide your organization's feedback on the Day-Ahead Flexible Ramping Product as described in section 4 of the proposal. Please explain your rationale and include examples if applicable.

It is premature to implement a new flexibility product without knowing the results from the Phase 1 effort; Phase 1 is also aimed at resolving flexibility issues. CAISO acknowledges that resources with must offer requirements pursuant to Resource Adequacy rules are already being compensated to offer their capacity into the CAISO markets; therefore, these resources would be required to bid zero for the

DR flexible Reserve Product. However, CAISO is proposing to remove this requirement at the earlier of the end of 2021 or the implementation of the extended day-ahead market. This is unlikely to be sufficient time for old contracts to expire and new contracts to be drafted to take into account this new market revenue. A more sensible proposal would be that contracts established after a certain date are eligible to bid non-zero, while pre-existing contracts must bid zero. However, this is still problematic as it would not prevent California customers from paying twice for capacity; this is because all resources selected for a DA Flexible Reserve Product would be paid if a non-zero bid clears the market. It is impossible to determine the financial impact to customers as the amount of projected DA Flexible Reserve Product is unknown.

As for the extended day-ahead market, the utilities outside the CAISO balancing authority are vertically integrated with ratepayers paying for capacity to meet their reliability needs; this includes the flexibility requirement. The Energy Imbalance Market has a resource sufficiency requirement¹, that includes ramping, to prevent resource leaning in real-time; which is applied to the all participating balancing authorities, including CAISO. It is logical that an extended DA market will have a similar resource sufficiency condition to prevent resource leaning. Therefore, the non-CAISO balancing authority capacity that will be bid into the CAISO markets to meet the sufficiency condition will already have revenue recovery because that capacity will either be vertically integrated or procured via a contract.

Therefore, in terms of achieving revenue sufficiency to ensure enough resources are bid into the real-time market to provide flexibility need, it is unclear that a DA Flexibility Reserve Product requires an additional payment.

CLECA reiterates its recommendation that the design of a DA Flexible Reserve Product wait until after the implementation of Phase 1. In addition, more effort is needed to understand the revenue sufficiency of capacity providing this product and if it needs a separate market product for it to be offered into the market.

¹ Each balancing authority must submit a bid stack that will meet their load and ramping requirements.

Please provide your organization's position on the Day-Ahead Flexible Ramping Product as described in section 4 of the proposal. (Please indicate Support, Support with caveats, Oppose, or Oppose with caveats)

For the above reasons, CLECA opposes the Day-Ahead Flexible Reserve Product because it has not been determined to be necessary and would lead to double recovery for capacity resulting in higher costs.

3. Re-Optimization of Ancillary Services

Please provide your organization's feedback on the re-optimization of ancillary services as described in section 5 of the proposal. Please explain your rationale and include examples if applicable.

CLECA does not have any comments at this time.

Please provide your organization's position on the re-optimization of ancillary services as described in section 5 of the proposal. (Please indicate Support, Support with caveats, Oppose, or Oppose with caveats)

4. Energy Imbalance Market Governing Body Classification

Please provide your organization's feedback on the EIM Governing Body classification as described in section 6 of the proposal. Please explain your rationale and include examples if applicable.

CLECA does not have any comments at this time.

Please provide your organization's position on the EIM Governing Body classification as described in section 6 of the proposal. (Please indicate Support, Support with caveats, Oppose, or Oppose with caveats)

APPENDIX C: DRAFT TECHNICAL DESCRIPTION

5. Assumptions and Mathematical Formulations

Please provide your organization's feedback on the assumptions and mathematical formulations included in Appendix C. Please explain your rationale and include examples if applicable.

CLECA does not have any comments at this time.

Please provide your organization's position on the assumptions and mathematical formulations included in Appendix C. (Please indicate Support, Support with caveats, Oppose, or Oppose with caveats)

Additional comments

Please offer any other feedback your organization would like to provide on the Day-Ahead Market Enhancements Phase 1 initiative third revised straw proposal.