

**Questions on ‘EDAM Common Design Principles and Concepts’
for 11/12/21 EDAM Initiative Foundational Workshop**

Submitted by Energy Division Staff of the California Public Utilities Commission

Questions Submitted by	Organization	Date Submitted
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1. EDAM Policy Design Process: Will the forthcoming EDAM stakeholder process honor and prioritize transparency and broad stakeholder participation?

- Maintaining an open and transparent policy design process is an essential element of EDAM. CPUC Energy Division staff (ED staff) is concerned CAISO’s current process, as exemplified by the small-group discussions facilitated by CAISO during the summer, may be prioritizing attracting EIM participation without sufficient consideration of California interests.

2. Price Formation: Will the EDAM initiative consider substantive changes to price formation? If so, how is this justified?

- ED staff cautions that EDAM should not include fundamental changes to price formation (as have been discussed during CAISO's stakeholder working group throughout the summer). Namely, allowing ‘fast-start pricing,’ as has been advocated by several EIM entities, could run counter to California interests.

3. Congestion Rents: How will congestion rents on EIM transfers with California be allocated?

- In the last forum, CAISO suggested that congestion rent would accrue to the entity on the side of the constraint where the congestion occurs. However, the congestion does not occur on one side of the constraint or the other; rather, it occurs on the constraint itself. As such, ED staff are unclear on what CAISO’s design idea is for these congestion rents. These rents are an important equity concern, as well as a potential motivation for market manipulation.

4. GHG Tracking: The system for tracking GHG emissions in the EIM includes numerous compromises that make attributing GHGs and carbon certificate requirements feasible, but that decrease the accuracy compared to direct contracting; how does CAISO expect expanding those compromises to include transactions made in the day-ahead timeframe to impact the overall accuracy of GHG accounting?

- Presumably some of the same transactions that would take place in EDAM are already happening in the bilateral or import market, and therefore some accounting must be made already. Has CAISO studied whether using the EIM system for those transactions will lead to greater accuracy or increased leakage?

5. Fast-Start Pricing and Carbon Pricing Impacts: How does CAISO plan to account for and justify likely price increases resulting from fast-start pricing, carbon pricing, etc.?

- The use of fast start pricing, scarcity pricing, or any of the non-marginal pricing schemes that have been discussed will necessarily raise prices. That increase could make the GHG costs a smaller part of the electricity price, and could be a boon to existing and less efficient carbon-emitting resources.

6. Incremental Renewable Integration Increases from EDAM: California's goal for the grid is to reach zero carbon emissions by moving towards a renewable grid. How will EDAM help with that goal? Will it lead to decreased renewable curtailment or increased use of renewable energy? Do we already get all or most of the benefits of geographic diversification from EIM? What new transactions will take place? How much will this reduce renewable curtailment? How will that reduction occur?

7. Focus on Geographic Expansion Vis-à-vis Storage Use and Development Planning: Will focusing on geographic expansion detract from developing storage use and planning?

- Moving to a zero carbon grid will require using renewables across space and across time; given the existing advantages gained from the EIM, is it best to focus more on incremental additional benefits of EDAM or more on planning and using storage to integrate renewables? How much time and effort will be allocated for EDAM development and how much will be used to make the CAISO market more capable of efficiently dispatching storage resources? What are the best ways to allocate policymakers' time and California ratepayer money in this realm?