



Stakeholder Comments Template

Day-Ahead Market Enhancements Phase 1 Initiative

This template has been created for submission of stakeholder comments on the straw proposal that was published on February 7, 2020. The proposal, February 10, 2020 Stakeholder meeting presentation, March 5, 2020 Stakeholder call presentation, and other information related to this initiative may be found on the initiative webpage at: <http://www.caiso.com/StakeholderProcesses/Day-ahead-market-enhancements>

Upon completion of this template, please submit it to initiativecomments@caiso.com. Submissions are requested by close of business on March 26, 2019.

Submitted by	Organization	Date
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Please provide your organization’s overall position on the DAME straw proposal:

- Support
- Support w/ caveats
- Oppose
- Oppose w/ caveats
- No position **YET**

LSA and SEIA (together, the Developers) appreciate the opportunity to comment on the Day Ahead Market (DAM) Enhancements (DAME) Straw Proposal (Proposal). Their comments focus on proposed provisions applicable to solar projects.

Many of the bidding and settlement provisions applicable to Variable Energy Resources (VERs) seem unclear, and thus these comments mainly request clarifications of relevant provisions in the Proposal. The Developers will be better able to determine their positions on the CAISO’s DAME proposal once these concepts and details are clear.

Please provide written comments on each straw proposal topics listed below:

- 1. New day-ahead market products, including reliability energy, reliability capacity, and imbalance reserves.**
- 2. Settlement and cost allocations.**

3. Scheduling rules for variable energy resources.

The Developers request that the CAISO clarify many aspects of its proposals in this area. This discussion focuses on the information discussed at the February 10th stakeholder meeting¹ and addresses both scheduling/bidding rules and Must-Offer Obligations (MOOs).

Scheduling/bidding rules

It appears that the CAISO will submit a bid into the DAM for each VER based on its own forecast. It will notify VER SCs of this forecast/bid in advance, in time for those wanting to submit a different forecast to submit a Virtual Bid for the difference (positive or negative).

The Developers request that the CAISO clarify both:

- **The logistics of this proposal.** For example, the CAISO should specify when its forecast would be provided to individual VER SCs, how much time they would have to submit any Virtual Bids, and the mechanics of submitting any economic bids.
- **The rationale for this proposal.** In particular, the Developers do not understand the need for CAISO to submit bids on behalf of VERs wanting to participate in the DAM, and then the subsequent need for VERs wanting to use their own DA forecast to use complex Virtual Bidding mechanisms to modify the CAISO forecast.

Instead, it would be far simpler for the CAISO to provide its forecast to the VER SCs, and then for the SCs themselves to decide whether to submit the CAISO forecast as a schedule/bid or use their own forecasts for that purpose. This was the method used for an earlier (real-time) version of the Participating Intermittent Resource Program (PIRP), and the Developers believe that it could be applied to the DAM as well.

DAM Must-Offer Obligations (MOOs) generally

It appears that the Proposal would extend some kind of MOO to the DAM for VERs, but the financial consequences of that MOO are not clear, as explained further below.

The Developers strongly object to imposition of a DAM MOO for individual resources, if that MOO will have direct (DAM settlement) or indirect (RTM MOO bidding obligation based on a DA forecast) financial consequences.

The CAISO decided, and FERC has agreed, that accurate DA forecasting for individual VERs was so problematic that VERs should have only RTM MOOs. The Proposal presents no evidence that VER forecasting – by itself or others – on a DA basis is sufficiently accurate to warrant imposing a facility-specific DA MOO with associated financial obligations.

In fact, CAISO public information shows that CAISO VER forecasts, even on an aggregate and monthly basis, routinely exceed actual metered generation². It is reasonable to assume that hourly facility-specific forecasts are considerably less accurate.

¹ Slides posted at <http://www.caiso.com/InitiativeDocuments/Presentation-Day-AheadMarketEnhancements-Feb10-2020.pdf>.

² See, e.g., CAISO Market Performance and Planning forum presentations for July 2019 (<http://www.caiso.com/Documents/Presentation-MarketPerformance-PlanningForum-Jul10-2019.pdf>) and March 2020 (<http://www.caiso.com/Documents/Presentation-MarketPerformance-PlanningForum-March2020.pdf>), slides 15 & 18.

The CAISO should not move toward a DAM MOO for VERs until and unless it can demonstrate that: (1) The current method of estimating aggregate VER output in the DA markets is not sufficient for reasonable market clearing purposes; (2) its own DA facility-specific forecasts are reasonably accurate and not systematically biased; and (3) imposition of a DA MOO will not impose unreasonable financial risks on VER owners and operators.

Clarification of MOOs and potential financial consequences

The Proposal provisions about VER DAM MOOs and their potential financial consequences are confusing and unclear. For example, the Proposal slides below (February 10th meeting) contain seemingly contradictory information.

Slide 37

If a VER does not elect to economically participate in the day-ahead market, the CAISO does not want to schedule the resource for reliability capacity because of the corresponding real-time offer obligation.

No bid: Cleared EN = 0 MW, REN = forecast (not settled)

Self-Schedule: Cleared EN = REN = forecast

Economic bid: Cleared EN + RCU – RCD = REN ≤ forecast

This slide implies that VERs may have to “participate” in the DAM but need not “economically participate.” The CAISO should clarify:

- Whether VERs that do not “economically participate” (i.e., submit a bid) in the DAM would still have an RTM MOO. The slide implies that they would not.
- Whether submittal of a Virtual Bid where the resource wishes to use its own forecast would constitute “economic participation.”
- What is meant by stating that the REN would be “not settled.”
- Whether the presence of a REN implies a RTM MOO for that amount, even if the REN is “not settled.”
- If there is a RTM MOO, whether bid submission would be performed the same as today.

Slide 38

No bid: cleared EN = 0 MW, REN = N/A

- VER submits no bid, market optimization will use the system operator forecast to schedule reliability energy
 - This would result in a reliability capacity up award
 - RCU award would be paid the reliability energy price and would also be subject to the [RT] offer obligation
- CAISO does not believe it's appropriate to subject a resource that did not want to participate in the DAM to a RTM obligation
 - Therefore, CAISO proposes to not pay a resource that does not bid into the day-ahead market for its RCU award
 - Will reduce RCU cost allocation

This slide seems both internally inconsistent, and inconsistent with the prior slide.

- This slide says that VERs not submitting bids would receive no REN awards, when the prior slide said such resources would receive REN awards (albeit awards that are “not settled”).
- This slide says both that an RCU award would be made and that this award would have an associated RTM MOO. That seems to contradict both:
 - The statement on the prior slide that the CAISO does not want to make a “reliability capacity” award (which an RCU award would be) to resources not “participating economically” in the DAM because it does not want to impose an RTM MOO on such resources; and
 - The statement later in this slide that CAISO believes that it is not “appropriate to subject a resource that did not want to participate [*not “economically participate”*] in the DAM to a RT obligation.”
- The slide says that VERs not bidding in the DAM would both be paid the for its RCU award (first part of the slide) and that it would not (second part of the slide.)

To say the least, this information is extremely confusing. The Developers ask that the CAISO spend more time on the VER portion of its next proposal version clarifying and explaining both the concepts and the details of proposed VER-related provisions.

4. Deliverability approach for reliability capacity and imbalance reserves.

5. Approach for congestion revenue rights.

6. Approach for local market power mitigation.

7. Regression approach to determine the imbalance reserve requirement.

8. Additional comments: