



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 April 5, 2019.

Submitted by	Organization	Date Submitted
<i>Joe Greco</i>	<i>Middle River Power</i>	<i>4/4/19</i>

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.

Middle River Power (MRP) understands the CAISO is proposing a day-ahead market structure that consists of (1) the integrated forward market (IFM) with the addition of a biddable day-ahead flexible ramping product followed by (2) a Reliability and Deliverability Assessment (RDA) in place of the current RUC process.

MRP supports including a biddable day-ahead flexible ramping product but does not support the proposed RDA process. For the past several years the CAISO has made improvements to the market in an effort to reduce exceptional dispatches. CAISO and stakeholders alike have agreed that exceptional dispatches adversely impact price formation and market signals and should be used in limited circumstances. The RDA process is essentially moving a market-based capacity procurement process (RUC) into the out-of-market exceptional dispatch process; this seems counter to the CAISO's long-standing goal of reducing reliance on out-of-market actions.

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)

Support with caveats as discussed above.

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.

General Requirements

MRP strongly supports creating a 5-minute and 15-minute FRP requirement. This will ensure the CAISO has access to both 5-minute dispatchable energy in the real-time while also being able to address uncertainty that may materialize between the 15-minute and 5-minute timeframes. MRP believes having both a 15-minute and 5-minute FRP requirement will provide additional market stability.

As discussed at the stakeholder meeting, there are some questions around how virtual supply and virtual demand will impact the flexible ramping product requirement. It's extremely important that the CAISO and stakeholders thoroughly vet and understand how virtual supply and demand will be treated in determining the flexible ramping product requirement. Thus, MRP asks that the CAISO, in its next iteration, include an example of how virtual supply and demand will impact the flexible ramping product requirement.

Demand Curve and Penalty Prices

In the event the CAISO moves forward with the RDA process, which MRP does not support, using a demand curve could increase the reliance on issuing out-of-market exceptional dispatches via the RDA process. In this instance, MRP agrees with the CAISO that a demand curve should not be used when procuring FRP. FRP is intended to ensure that the CAISO has sufficient physical resources to meet CAISO forecast of CAISO demand. Furthermore, introduction of a demand curve in the day-ahead market seems as if it could undermine the effectiveness of the FRP in procuring sufficient capacity to meet uncertainty between the 15-minute and 5-minute market as well as the 5-minute ramping needs.

The CAISO is currently considering two approaches for determining the flexible ramping penalty price. MRP has an alternative suggestion. MRP suggests a penalty price of \$250. This is the current RUC bid cap, which makes it seem particularly reasonable.

Sub-Regional Delivery

Utilizing sub-regions currently used for AS to procure FRP sounds reasonable, but MRP believes additional analysis is warranted. The CAISO has reported on stranded AS capacity, which is capacity that due to constraints within the sub-region the market cannot access when needed. It would be unfortunate for the CAISO to find itself and the market in a similar situation with FRP capacity. MRP requests that the CAISO conduct analyses to determine if using the AS sub-regions makes sense both from a reliability perspective and local ramping need perspective before finalizing this aspect of the design.

Resource Eligibility

It is MRP's understanding the CAISO is proposing that off-line fast start resources with a start-up time of less than 15 minutes can only provide FRP for upward services. The FRP should be designed to capture all the flexibility these resources can provide; thus, MRP believes off-line fast start resources should be eligible to provide both up and down FRP capability. If either an upward or downward need arises in the real-time market, the real-time market can position these qualified generators such that the optimization can ramp the resource up or down as needed.

Bidding

The CAISO's current proposal to require Resource Adequacy resources to offer in at \$0/MWh during the transition period does not appear to be fair or equitable treatment across resources. RA and non-RA resources should be equally compensated for ramping capability. Thus, MRP does not support requiring RA resources to offer into the market at \$0/MWh during the transition period. The system/local RA must-offer procedures do not require resources to economically offer into the market. Flexible RA must economically offer in, but only for 17 hours. Therefore, it does not make sense to require RA resources to offer in at \$0/MWh.

Additionally, the CAISO suggests requiring a \$0/MWh bid is necessary to "allow time for the resource adequacy paradigm to recognize that marginal costs of real-time market availability will be compensated through the day-ahead flexible ramping product." MRP does understand this rationale since there are no changes needed to the standard confirm other than those related to the RUC transition to RDA.

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)

MRP opposes with caveats. We cannot support any proposal that forces RA to offer into the FRP at \$0/MWh.

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.

MRP is unclear why the CAISO is proposing re-optimization of AS in real-time during this stakeholder process since this process is focused on day-ahead market changes. Re-optimizing AS would change not only the real-time market but several aspects of AS products. These changes warrant significant discussion with stakeholders before proposing such a drastic change and could potentially delay this Phase 2 initiative. Introducing a re-optimization now will raise significant questions such as: a) how would this change impact cascading of ancillary services and the available capacity in real-time? b) does this change create arbitrage opportunities that could adversely impact the market? and c) what are the anticipated benefits from the proposal element to not allow economic offers in real-time for spin and non-spin capacity?

If the CAISO wants to continue considering re-optimizing AS in the real-time market, MRP encourages the CAISO to consider such a change outside of this initiative. Furthermore, the CAISO should implement the FRP first, determine how well it is working to better set up the real-time, and then move forward with any additional real-time proposals.

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)

MRP opposes re-optimizing AS in this initiative.

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.

No comment.

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)

No comment.

APPENDIX C: DRAFT TECHNICAL DESCRIPTION

4. 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.

No comment.