

# Notice

**To:** Mary Leslie, Chair, ISO Board of Governors  
Rob Kondziolka, Chair, WEIM Governing Body

**From:** Roger Collanton, Vice President, General Counsel and Corporate Secretary

**Date:** May 1, 2023

**Re:** Notice of Planned Decisional Classification for “Day-Ahead Market Enhancements”

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***Any objection by the Chairs to this decisional classification is due by May 8, 2023.***

This is formal notice of Management’s decisional classification for “Day-Ahead Market Enhancements.” Management proposes that, subject to one exception, this entire initiative will be subject to the joint authority of the WEIM Governing Body and the Board, and thus will require the approval of both bodies. The exception is that the WEIM Governing Body will have no role with respect to the proposed new must-offer rule in the day-ahead market for any capacity under contract through the California resource adequacy program that is eligible to provide imbalance reserves. That element will require Board approval only.

Any objection by the Chairs to the decisional classification is due by Monday, May 8, 2023. Otherwise, the initiative will be presented for decision consistent with this classification.<sup>1</sup>

## Background about the Initiative

This initiative proposes changes the day-ahead market designed to better account for variability and uncertainty by:

- Introducing an imbalance reserve product in the integrated forward market that procures flexible reserves to cover uncertainty in the net load forecast between day-ahead and real-time markets and to cover real-time ramping needs that are not covered by hourly day-ahead market schedules.
- Enhancing the residual unit commitment process to enable the procurement of downward dispatch capability and to include local market power mitigation measures.

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<sup>1</sup> The process is described in the “Guidance Document,” available [here](#).

The enhancements proposed in this initiative are essential elements of the extended day-ahead market initiative.

The revised final proposal for this initiative is located [here](#). Additional relevant papers for this initiative are located [here](#).

### Explanation of the Classification

Under the currently effective Charter for EIM Governance, this initiative would fall mostly outside the authority of the WEIM Governing Body because it focuses on the day-ahead market. The WEIM Governing Body would have a decisional role over only three discrete proposed changes to real-time market rules.

Management suggested an adjustment to this classification, subject to Board approval, in the December 1, 2022 Draft Final Proposal, explaining:

Stakeholder comments on previous papers indicate broad support for requiring joint approval of both the Board and the WEIM Governing Body for all aspects of this initiative. Such a classification could be appropriate given the unique nature of this initiative in the sense that it is foundational for EDAM because the imbalance reserve product developed in this initiative drives a significant portion of the potential benefits of EDAM.

The paper requested stakeholder comment on this possible adjustment.

During the December 14, 2022 general session meeting of both bodies, the Board Chair tentatively approved this adjustment, subject to the qualification that joint authority would not apply to proposed tariff changes that are specific to the CAISO's balancing authority area or operation of the CAISO controlled grid, such as provisions about California resource adequacy.

One of the proposed new obligations falls within this proviso. It would impose a must offer requirement in the day-ahead market for capacity under contract with the California resource adequacy program to the extent it is eligible to provide imbalance reserves and bid economically. For this element only, there would be no adjustment to the classification. It would therefore fall within the authority of the Board only, with no role for the WEIM Governing Body, because it proposes a rule of the day-ahead market as opposed to the real-time market.

### Objection to this Classification

No stakeholder objected to joint authority applying to this initiative overall when it was proposed in the December 1, 2022 Draft Final Proposal. Subsequently, the California Public Utilities Commission objected in comments it submitted April 5 following workshops in February and March. Those comments, which are available [here](#), expressed

concern[ ] about this recommendation because this initiative will affect penalty parameters, which affect reliability for California customers (e.g., what penalty

parameter does [imbalance reserve] get compared to low priority exports). Further, if EDAM does not materialize, these provisions will apply only to CAISO customers.

Management notes that a premise of this position is incorrect; if EDAM does not move forward, CAISO would not move forward with this version of DAME. In that case, a different version of DAME would be developed based on participation by CAISO only, and there would be an opportunity to revisit these proposed rules. Accordingly, Management maintains its recommendation that this matter should be adjusted to joint authority generally, as explained above, because this version of the proposal is foundational to EDAM.