

Submitted by	Company	Date Submitted
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RE: Extended Day-Ahead Market Technical Workshop: Bundle 1

PPC represents the interests of nearly 100 publicly owned entities in the Northwest that purchase over 90% of BPA’s total Tier 1 output and own approximately 7400 MW of nameplate generation. Our members are interested in the development of EDAM from several perspectives:

- as load serving entities in the potential EDAM footprint;
- as possible EDAM participants – either as EDAM Entities, owners of participating generation, or both;
- as active participants (both as buyers and sellers) in Western bilateral markets which will be impacted by an EDAM; and
- and as purchasers of preference power and transmission services from BPA (whose transmission use and generation revenues stand to be impacted by EDAM whether or not BPA becomes an EDAM participant).

Development of an EDAM has the potential to greatly impact energy markets across the West. Given the importance of this market evolution, PPC has partnered with other public power utilities in the Northwest to develop common interests on principles and elements that we believe should be applied to any centralized day-ahead market that develops in the Northwest, including EDAM. We continue to be committed to developing a day-ahead market consistent with [these interests](#).

February 11 and 12 EDAM Technical Workshop

We appreciate the opportunity to comment on the Extended Day-Ahead Market Technical Workshop held on February 11 and 12, 2020. The potential for this new market to impact entities across the West, regardless of whether they chose to participate, makes it essential that stakeholders be able to actively engage in the design of that market. These first technical workshops were a helpful initial step to involve stakeholders in market development. PPC was generally encouraged by the proposals shared by the EIM Entities at the technical workshop and largely agrees with the principles set forth for the market design by both the EIM Entities and CAISO staff.

Additional workshops will be critical to help further develop the issues discussed at this first technical workshop, as well as the additional issues related to EDAM that have been identified by CAISO and other stakeholders. We are very early in this process and the thoughts below reflect PPC’s initial leanings, which may evolve as CAISO staff and stakeholders continue to explore

these topics. We look forward to continuing to develop EDAM market design through the CAISO's stakeholder process.

Resource Sufficiency

PPC generally supports the principles for Resource Sufficiency (RS) set forward by the EIM Entities and CAISO staff. The EIM Entities' RS principles are largely consistent with the interests developed by Northwest public power. While CAISO staff's principles also included some similar themes, PPC recommends several important additions:

- 1) Rules need to separately account for capacity, energy, flexibility and transmission.**
All four components are necessary for maintaining reliability and should be separately accounted for in the RS assessment.
- 2) The enforcement mechanism for meeting RS cannot be an economic alternative.**
Creating a penalty rate for failing RS tests gives entities an economic choice of passing or failing. In situations where procuring sufficient RS would be most expensive, participants will just take the penalty, shifting costs to others and potentially creating additional reliability risks. The EIM Entities' presentation explains this problem well. The EIM Entities recommend a more expansive principle of "preventative enforcement" to account for issues that should be addressed with the current "EIM freezing" approach. PPC is supportive of such a principle.
- 3) More emphasis should be put on the importance of developing timelines that would allow continued participation in the bilateral market.**
This is critical for creating a voluntary organized market in the EDAM footprint.

Implementing a well-functioning RS assessment will be a requirement for PPC to support the EDAM proposal. The EIM Entities' presentation described the need for establishing an EDAM RS assessment. A properly designed RS assessment would ensure that EDAM Entities could receive the diversity benefits of more efficient dispatch across a larger footprint while ensuring that entities aren't "leaning" on others in the market or relying on the capacity they provide without adequate compensation. Without an RS assessment, concerns about equity and system reliability would need to be addressed through some other means.

Support for EIM Entity and CAISO Proposals

PPC was encouraged by many of the RS proposals put forth in the presentations at the EDAM technical workshop and supports inclusion of many of these elements in CAISO's straw proposal.

A properly designed RS assessment should only count physical supply with a high certainty of deliverability towards an entity's RS requirement. We support the EIM Entities' proposal for qualifying supply, including a deliverability assessment.

We also support elements of CAISO's proposal for what is appropriate to include in qualifying RS supply. Specifically, PPC concurs that virtual bids should not be included in the RS assessment as they do not represent physical supply and the entire purpose of the RS assessment

is to ensure that each BAA has sufficient generation capacity to meet its load obligations. Other elements of CAISO's proposal need more discussion. For instance, more discussion is needed how traded bid ranges would be accounted for in the RS assessment to assure that this does not undermine the intent to only account for physical, dispatchable resources in the RS assessment. At this time, we are not certain that excluding non-RA imports in the assessment is necessary as suggested by CAISO staff. If non-RA imports are from physical generation and deliverable, we do not have immediate concerns with them being included in the RS supply, although more discussion is needed.

PPC supports the EIM Entities' proposed four-component test structure. Energy, capacity, flexibility, and transmission are all required to meet load needs within each EDAM Entity BAA. For instance, if an EDAM Entity has enough energy to serve its load, but not enough flexibility to meet its ramping needs, then that EDAM Entity could not reliably serve its load absent EDAM. Without an RS assessment that accounts for all four components, it would be possible for an EDAM Entity to rely on resources outside its BAA to provide that energy, capacity, flexibility, and/or transmission without compensation. All four components are valuable attributes that are needed to reliably serve load and should be included in an RS assessment.

PPC is in strong agreement with the EIM Entities that transmission used for EDAM deliveries must be "highly reliable and of high quality." Consistent with this principle, we support the concept put forth in both the EIM Entity and CAISO presentations that transmission used for RS supply must be protected or have a low chance of being displaced by other transmission use. In OATT BAAs, PPC recommends that non-firm OATT service (0-NX, 1-NS, 2-NH) not be eligible to support RS supply. In CAISO's BAA, PPC supports CAISO staff's proposal to give RS capacity a higher priority.

Generally, we support the proposal for EDAM Entities to submit a day-ahead operating plan. Having this information would facilitate the RS assessment and help prevent "leaning." PPC's initial impression is that developing such a plan would be required to run a meaningful RS assessment. Requiring such a plan would create significant additional benefits for the market through facilitating the RS assessment while having relatively little impact to participants, particularly given the non-binding nature of the plan. It would be helpful to work with other stakeholders to understand if there are any challenges to providing such a plan.

More Discussion Needed

The discussion at the February workshop was a helpful start for developing an RS assessment for EDAM. Much more discussion is needed on many aspects of the RS assessment before PPC could support a specific proposal for RS in EDAM.

First, determining the appropriate standard for RS requirements will be a critical component of a meaningful RS assessment. As the EIM Entities described in their presentation, setting the standard too low could result in less reliable market outcomes, more leaning between market participants, and a decrease of diversity benefits. All of these potential outcomes are concerning to PPC. On the other hand, setting the standard too high could create problems by exposing EDAM Entities to unnecessarily high prices. Notwithstanding this concern, due to the

significant risks of setting the standard too low, we believe that this requirement should be on the higher side of the overall spectrum. PPC recognizes it will also be important to include some consideration of potential cost exposure. Achieving the right balance between these risks will require additional discussion and analysis. A robust discussion among stakeholders is needed to determine the appropriate standard for all four components of the RS assessment.

Additionally, while the timeline proposed by the EIM Entities for conducting the RS assessment seems reasonable, more discussion is needed. This includes addressing how this proposed timeline will impact bilateral trading and whether there would be significant disruptions to ongoing bilateral business in EDAM Entity BAAs. Ensuring that the bilateral market can continue with minimal impacts is an important feature of a voluntary day-ahead market. PPC also would like to further explore with potential EDAM Entities whether and how the proposed “cure” period would allow EDAM Entities to resolve potential RS failures. Especially for potential EDAM Entities such as BPA, who have diverse ownership of resources within their BAA.

PPC also requests additional details on how diversity benefits would be allocated among participating balancing authority areas for the purposes of reducing their RS requirements. We request that this issue be clearly addressed in CAISO’s straw proposal, including more detail on several concepts presented at the February workshop. For instance, CAISO notes the importance of transmission in capturing diversity benefits in the EDAM market. Is there any relationship between the transmission made available to the market and how the diversity benefits are allocated? The straw proposal should address this issue.

PPC also seeks further discussion on the EIM Entities’ proposal for a “replacement reserve” product. Specifically, how procurement of such a product would create additional diversity benefits and how those benefits would be allocated among EDAM Entities. It is unclear whether the parties procuring the product would directly receive the associated diversity benefit or whether this benefit would be shared more generally among EDAM participants.

Generally, we support the concept of bid range trading for RS, but more discussion is needed to determine how this would work. PPC looks forward to more details in the straw proposal and hopefully more discussion at another technical workshop.

PPC understands the interest expressed by the EIM Entities to not require another RS test in real time. We support the idea of simplifying the RS evaluation as long as doing so does not undermine the goal of ensuring each BAA is resource sufficient. Also, much more discussion is needed on how, absent a real-time RS test, the market can ensure that there will be sufficient resources available in the real-time market to make up for any changes in available capacity, as compared to the result of the day-ahead market.

EIM Entities raised two additional issues: sub-allocation of RS and fuel adequacy. PPC agrees these should be addressed and would like to further explore these issues in subsequent technical workshops.

Transmission Provision

Both CAISO and the EIM Entities set forth principles on transmission that are consistent with those included in the Northwest Public Power Interests for Day Ahead Markets. Any proposal for transmission provision in EDAM should be consistent with these principles and with the Northwest Public Power Interests for Day-Ahead Markets.

Support for EIM Entity and CAISO Proposals

Generally, the “bucket” concept presented by EIM Entities appears consistent with the interests on transmission provision developed by Northwest Public Power. As expressed in these interests, it is important to ensure that Transmission Providers will be adequately compensated for transmission used in EDAM. The three buckets proposed by the EIM Entities build on the transmission donation model that already exists in the EIM and provide a method for compensating the Transmission Provider for otherwise unused transmission used by the market through the creation of “Bucket 3.” While this framework appears acceptable to PPC, there is still much to be discussed regarding this proposal, particularly regarding Bucket 3 transmission.

If the Straw Proposal includes the three-bucket approach to transmission provision, PPC supports market optimization function prioritizing the use of “no cost” transmission made available through buckets 1 and 2. Under this framework it will be critical that products made available to the market under Bucket 3 also be made available to the Transmission Providers OATT customers at the same price.

More Discussion Needed

As discussed above, much more discussion is needed on Bucket 3 transmission. Determining the right price for Bucket 3 transmission will be critical. Potential pros and cons of all the pricing options proposed by the EIM Entities need to be discussed further.

PPC is also concerned about the impact that a “OASIS processing hold” will have on the bilateral market and OATT customers. While we understand the need for this hold, we want to ensure that parties are not being unfairly blocked from the transmission access they are provided under the OATT. Much more discussion is needed to explore the impacts of such a hold and to identify potential mitigation steps to limit the effects to the bilateral market.

The EIM Entities’ proposal raises several additional issues that must be addressed, including impacts to third party customers and internal congestion within an EDAM Entity’s BAA. The straw proposal should set forth a plan for resolving these issues. PPC understands that to the extent possible, it may be preferable to maintain consistent treatment across EDAM Entity BAAs; however, there is likely a need, particularly on these issues, to develop different rules for different EDAM Entities. Additionally, it continues to be critical that making transmission available to EDAM needs to be voluntary. This is a key element of a voluntary organized market.

Congestion Rent

We appreciate that CAISO included this issue in the first “bundle” of topics to be addressed alongside transmission and resource sufficiency. It is important that EDAM allocate congestion in a manner that incentivizes the donation of transmission into the day-ahead market and equitably compensates those providing transmission for the value of that transmission.

More Discussion Needed

Generally, we agree with the concept advanced by both EIM Entities and CAISO to allocate congestion rents to those making transmission available to the market for Bucket 1 and 2 transmission. Much more discussion is needed on the mechanism of that allocation. Additionally, more discussion is needed on the allocation of the congestion rent associated with Bucket 3.

The EIM Entities’ presentation makes a good argument that an “all or nothing” approach for allocating congestion rents may not be appropriate in the EDAM, particularly on certain paths. PPC would appreciate more discussion around this issue.

Conclusion

PPC appreciates the work that the EIM Entities and CAISO staff have already done to develop the framework for a potential EDAM. We appreciate the opportunity to comment on their presentations and look forward to working with stakeholders at future CAISO workshops to build off this framework and design a workable a day-ahead market for the West.