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**SRP Comments on CAISO’s Stakeholder Workshop on
Expanded Day Ahead Market (EDAM):
Resource Sufficiency, Transmission, and Congestion Revenue Rents**

Salt River Project Agricultural Improvement and Power District (SRP) appreciates the opportunity provided by the California Independent System Operator (CAISO) for SRP and the EIM Entities to participate in the public workshops held on February 11 and 12 in Folsom, CA on the CAISO’s proposal to extend the day ahead market beyond the CAISO footprint. Like CAISO and the other EIM Entities, SRP’s objective is to support the development of a market that brings broad-based benefits to the West and that complements bilateral market transactions for the day ahead environment. As an EIM Entity, SRP appreciates the significant time and consideration placed into the collective EDAM proposal. It reflects a thoughtful framework that is consistent with a complementary bilateral option. SRP also supports the comments submitted by the EIM Entities on the workshops offered by CAISO, but submits the following concerns and questions for additional consideration by CAISO in the EDAM stakeholder process.

Resource Sufficiency Test

The goals of the Resource Sufficiency Test (RS Test) for the EDAM, as proposed by the EIM Entities, are to establish a simple method to ensure that all participating Balancing Areas have adequate generation resources and meet the principle of “no leaning.” At the heart of this principle is the requirement that EDAM must be a physical energy market, and while financial transactions are key for managing costs, a successful EDAM will depend on the confidence that all members will show up prepared to physically serve their energy needs before optimization.

A simple test to demonstrate that entities are not repeatedly leaning on the EDAM for physical supply is critical for ensuring the reliable, successful operations of participating Balancing Areas and ensuring there is a sufficient amount of physical energy to optimize around. However,

additional consideration as to the timing of that test is needed. If the test is too early, it will not allow entities to take advantage of the CAISO day ahead market to cure any deficiencies (for energy, capacity, or other services), which could result in entities appearing to lean on the market.

Further, the transparency principle advocated for by SRP and the EIM Entities as it pertains to the RS Test may result in unintended market power provided to others as bilateral partners may have visibility to the fundamental need of the deficient entity.

E-Tag Information as Part of Resource Sufficiency Test

During the Resource Sufficiency workshop, EIM Entities referenced the use of e-Tag information as part of meeting the RS Test. In general, SRP supports transparency as to how an entity will prove itself sufficient, including a demonstration of from where purchases are intended to be sourced. However, while e-Tags were referenced to provide familiarity for discussion, any requirements to demonstrate a specific transmission path for a bilateral transaction needed to demonstrate Resource Sufficiency should arise in a new information product that requires only that information which is readily available at the time of the RS Test (namely counterparty, volume, hours/shape).

In addition, transmission outages and other issues that arise throughout development of the day ahead plan may significantly impact the ability to always meet the e-Tag deadline referenced by the EIM Entities. While SRP supports a tagging deadline, SRP encourages CAISO to explore a process whereby an entity may provide notice of limited delay for finalizing tags on specific transmission paths, with provisions to identify a time window to reconcile any incomplete or delayed tags. Such process should provide for generally consistent adherence to a tagging deadline across an EDAM, but would ensure that limited issues do not result in overly punitive consequences.

Fuel Adequacy

During the Resource Sufficiency workshop, there was limited discussion on the impacts and concept of fuel adequacy. SRP encourages CAISO to explore further limitations faced by the Desert Southwest and how gas supplies may best be leveraged within an EDAM construct. SRP and other entities in the Desert Southwest are connected to the Permian Basin, which is currently the lowest price natural gas basin in the United States and is forecasted to remain so for the foreseeable future. Access to low-cost, reliable gas may be a significant benefit to the broader EDAM footprint, but CAISO must consider limitations of the physical gas delivery system as it pertains to these entities.

As a matter of course, SRP secures its physical supply of natural gas across various time periods with the vast majority of gas acquired in or before the day-ahead gas market. Real-time and late-cycle day-ahead gas procurement often lacks liquidity given that supply is frequently more than two days away. The day ahead re-optimization of SRP's gas resources presents a unique circumstance for how CAISO chooses to have entities demonstrate Fuel Adequacy.

In general, SRP believes that CAISO should reasonably expect that entities are responsible for ensuring fuel adequacy for any and all resources participating in an EDAM. The use of gas resources similar to SRP's may be appropriate to model as a fixed energy volume resource, similar to batteries. However, at least within SRP's gas capabilities, natural gas procurement is pooled instead of allocated to specific generators. Such a configuration allows for considerable flexibility to SRP and the EDAM by ensuring that gas planned for a resource that incurs an unplanned generation outage can be redirected to another SRP resource.

Further, depending upon the timing of the market optimization run, CAISO should explore a way to provide cost recovery in the event that an entity is obligated to purchase additional fuel after the EDAM run. Such fuel will be subject to liquidity constraints and late cycle price discovery/premiums. While SRP contracts for gas storage, the remote nature of our storage and limited volumes available present opportunity to further discuss management and limitations of fuel adequacy. SRP encourages CAISO to further explore these issues related to gas planning, procurement, utilization, and operation as it pertains to utilities like SRP who are not located on a natural gas production and storage field where liquidity and deliverability issues could potentially arise. SRP would be happy to discuss further.

SRP appreciates the opportunity to provide our concerns, in addition to the comments submitted by the EIM Entities pertaining the February 11 and 12 EDAM workshops. We are available to meet and discuss these matters and to respond to any questions.



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