California ISO

Stakeholder Comments Template

Day-Ahead Market Enhancements (DAME) Initiative

This template has been created for submission of stakeholder comments on the revised straw proposal that was published on June 8, 2020. Materials related to this initiative can be found on the ISO website 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 July 6, 2020 (July 13 as extended).

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

☐ Support
☐ Support w/ caveats
☐ Oppose
☒ Oppose w/ caveats
☐ No position

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

1. **Updated market formulation:**

2. **Accounting for energy offer cost in upward capacity procurement:**

3. **Variable energy resources:**

4. **Market power mitigation for reliability capacity and imbalance reserves:**

5. **Please include additional comments including considerations for other possible solutions or concerns to any of the above topics:**

SVP adopts and supports the comments submitted today by the Northern California Power Agency ("NCPA") regarding the Revised Straw Proposal's treatment of Load Following Metered Sub-Systems ("LFMSS").

SVP emphasizes the need for CAISO to clarify how the benefits provided by LFMSS will continue to be accounted for under the proposed transition to new capacity mechanisms. The existing structure recognizes that LFMSS do not contribute to the need for capacity because they are obligated to provide their own capacity to match supply to follow load. It is unclear if the proposals in section 4.11 of the Revised Straw Proposal take those benefits and burdens into account. SVP submits that it is necessary to account for those benefits and burdens to abide by cost-causation settlement principles.

CAISO's Revised Straw Proposal appears to remove the current annual election MSS operators have to opt-into or opt-out of the Residual Unit Commitment ("RUC") process, which is currently an automatic opt-out for MSS operators electing to load follow.[1] The removal of MSS operators' election to participate in RUC follows on DAME's proposal to replace the existing RUC with a Reliability Capacity Up/Down (or "RCU/D") product.[2] However, there is no corresponding proposal regarding treatment of LFMSSs that would preserve the existing paradigm[3] and allow LFMSSs to justifiably reduce their exposure to cost allocation associated with the proposed replacement RCU/D product. Instead, the Revised Straw Proposal appears to propose to settle all MSS resources (including LFMSS resources) the same as non-MSS resources with respect to RCU/D cost allocation, disregarding the LFMSSs obligations to match their Demand Forecast and Supply Resources, subject to financial penalty, as more fully detailed in NCPA's March 26 and July 13, 2020 DAME comments.[4] Requiring LFMSSs to bear the same cost

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1 *See* CAISO Revised Straw Proposal at 32. CAISO Tariff at § 31.5.2.

2 *See e.g.,* CAISO Revised Straw Proposal at 4, 19.

3 *See* CAISO Tariff at § 11.8.6.5.2 ("Consistent with Section 31.5.2.2, Scheduling Coordinators for MSS Operators that have opted out of RUC participation, or opt-out of RUC by default as a result of having elected to Load follow, will not be subject to any RUC Bid Cost Uplift allocation.").

4 *See e.g.,* CAISO Tariff at §§ 4.9.13.2, 30.5.2.5 ("Scheduling Coordinators that represent MSS Operators that have opted out of RUC participation pursuant to Section 31.5 must Self-Schedule one hundred percent (100%) of the Demand Forecast for the MSS. For an MSS that elects Load following, the MSS Operator shall also self-schedule or bid Supply to match the Demand Forecast.").

responsibility as non-LFMSSs for the RCU/D procured to meet the net load forecast with cleared non-VER physical supply is not consistent with cost causation principles.

CAISO's proposal would apparently allocate costs of Imbalance Reserve Up/Down ("IRU/D") to all MSS resources (including LFMSS resources) the same as non-MSS resources with regard to cost allocation.[5] If that is, in fact, the proposal, it fails to recognize the different costs non-LFMSS entities impose on CAISO for procuring imbalance reserves. As NCPA has noted, LFMSS self-manage imbalance requirements by following load from the Day-Ahead Market through real time. As a result CAISO will not need to procure RCU/D or IRPU/D on behalf of LFMSS entities, and the cost allocation needs to recognize that difference. As noted by NCPA, CAISO acknowledges such differences in other aspects of its tariff, including in those governing the Flexible Ramping Product,[6] and SVP submits that CAISO must to do so in its new proposal to comport with cost causation.

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5 *See* CAISO Revised Straw Proposal at 33.

6 *See* CAISO Tariff Sections 11.25.2.2.4(a)(1) and (2), (b)(3) and (c)(3).