

Stakeholder Comments

Submitted by	Company or Entity	Date Submitted
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Comments and Questions Feb. 11-12, 2020 EDAM Workshops

The City of Santa Clara, California, dba Silicon Valley Power (“SVP”) thanks the California Independent System Operator Corporation (“CAISO”) for the opportunity to submit comments and questions both at and following the February 11 and 12, 2020 stakeholder workshops regarding the CAISO’s Extended Day-Ahead Market initiative (“EDAM”).

SVP submitted comments on the CAISO’s October 2019 EDAM Issue Paper on November 22, 2019. Those comments raised a number of questions about this initiative, noting it was in early stages with many undeveloped issues.

Following up on matters discussed in SVP’s November 2019 comments on the CAISO’s EDAM Issue Paper, SVP highlights below: (1) issues *not* addressed during the February 11-12, 2020 Stakeholder Workshops, which remain unaddressed and to which SVP requests a response; and (2) issues addressed to a degree during the Workshops, but which SVP requests confirmation from the CAISO on SVP’s understanding of information provided during the workshops.

Regarding the unanswered issues from SVP’s November Comments:

1) With regard to total production cost savings estimated in the EIM Entities’ Feasibility Assessment that led to the launching of this initiative, SVP requests CAISO’s response to SVP’s November 2019 questions¹ regarding the EIM Entities’ October 3, 2019 presentation on their Feasibility Assessment—namely, clarification on how the benefits of EDAM were estimated between different scenarios (Slide 19 of October 3, 2019 presentation). Further, it is not clear

¹ See Silicon Valley Power Stakeholder Comments on EDAM Issue Paper (Nov. 22, 2019) at 2 (of .pdf), available here: <http://www.caiso.com/InitiativeDocuments/SVPComments-ExtendedDay-AheadMarket-IssuePaper.pdf> [hereinafter “SVP November EDAM Comments”].

how the benefits are anticipated to be spread amongst the non-CAISO BAAs and the existing CAISO market participants.²

2) How will the way allocation of congestion revenue is dealt with through the EDAM initiative impact existing Congestion Revenue Rights (“CRR”) mechanisms within the CAISO? How will differing commitments for making transmission available to the EDAM affect ability to collect congestion rents? While Slide 47 of the CAISO Presentation at the EDAM Workshops proposed a principle of “allocate revenue to those long-term exports and internal transmission customers who are paying for the long-term transmission investment”, no clear mechanism for achieving this principle was addressed during the EDAM Workshops. Instead, the focus of the February Workshops with respect to congestion revenue appeared to be focused on how to distribute congestion revenue arising from EDAM transfers between participating BAAs, rather than impacts to existing CAISO CRR holders.

3) It remains unclear which elements of the existing CRR market will be applied in EDAM, and how the application of those elements will affect the existing CRR markets, including how CAISO will map existing intertie CRRs in EDAM.

4) What will be the consequences for failing an EDAM Resource Sufficiency Evaluation? While the EIM Entities briefly raised the need to address this issue on Slide 28 of their Resource Sufficiency workshop presentation, Powerex noted the EIM Entities’ focus has not been on failure consequences to-date, but rather on “preventative enforcement.”

5) The Integrated Balancing Authority Area (“IBAA”) tariff provisions and Market Efficiency Enhancement Agreements (“MEEA”) were developed out of modeling concerns and the ability of entities external to the CAISO to potentially game its markets. To date those provisions have only been applied to entities in Northern California. SVP again questions the continuing need for the IBAA tariff provisions with enhanced modeling, EIM and now EDAM. A related issue SVP raised is whether the EDAM presents any of the concerns that led CAISO to propose the IBAA tariff provisions? If so, what elements of the EDAM will address or mitigate those risks, either through modeling, pricing, or transaction restrictions?

6) How will the existing CAISO day-ahead market and its customers be affected if EDAM is implemented? Further, how will EDAM impact scheduling of imports and exports? Looking beyond the existing day-ahead market, with respect to the

² See SVP November EDAM Comments at 4 (of .pdf) (“Although the initial benefits study provides an aggregated financial benefit estimate without identifying which entities would benefit to what degree, it seems logical that much of that benefit would be enjoyed by the new participants in the expanded day-ahead market.”).

CAISO's Day-Ahead Market Enhancements ("DAME"), which changes proposed in that initiative are necessary for EDAM to proceed?

7) Is CAISO's stakeholder schedule culminating in a Q2 2021 implementation period³ practical given the full panoply of issues to address in this initiative? SVP reiterates its prior sentiment voiced in the November 2019 comments that given the breadth and complexity of this initiative, the stakeholder timeframe appears too short.

8) During the February Workshops, CAISO expressly deferred the issue of the EDAM Administrative Fee to subsequent "Bundle 2" (to potentially be addressed later in the EDAM initiative). However, SVP requests CAISO respond with any preliminary thoughts as to SVP's question in the November 2019 comments⁴ regarding how the EDAM Administrative Fee will impact the CAISO Grid Management Charge ("GMC").

Further, SVP reiterates from its November 2019 comments that the costs of developing EDAM should be borne by those participants who primarily benefit from EDAM through some form of up-front funding mechanism.⁵ It is still unclear what the CAISO estimates for the cost to study and develop EDAM. During the November 20, 2019 CAISO GMC stakeholder call, CAISO explained that it has initially listed EDAM in the "Medium" budget category (i.e., \$500,000 to \$ 1 million)⁶ based on prior similar projects, recognizing that as CAISO learns more about EDAM's scope this budgeted amount may increase. CAISO also noted during that GMC stakeholder call that it believes it can leverage existing systems and initiatives to lower costs. However, from the workshops it is apparent substantial CAISO resources are being expended on the EDAM development, possibly to the detriment of other initiatives (*e.g.*, the TAC structure initiative discussed below) that would benefit existing CAISO market participants rather than potential EDAM participants. It is also apparent that EDAM is leveraging CAISO's market systems that existing market participants have funded, and the new beneficiaries should pay their fair share of the existing systems along with the costs of new systems designed for their benefit. SVP urges the issue of costs to be periodically re-evaluated with updated cost estimates throughout this stakeholder process.

³ See EDAM Issue Paper (Oct. 10, 2019) at 20, available here: <http://www.caiso.com/InitiativeDocuments/IssuePaper-ExtendedDayAheadMarket.pdf>.

⁴ SVP November EDAM Comments at 5 (of .pdf).

⁵ SVP November EDAM Comments at 4-5 (of .pdf).

⁶ CAISO Preliminary Draft Budget (Nov. 2019) at 43, available here: <http://www.caiso.com/Documents/FiscalYear2020-Budget-GridManagementChargeRates-PreliminaryDraft.pdf>.

9) During the February Workshops, CAISO and the EIM Entities expressly deferred to subsequent “Bundle 3” (to potentially be addressed later in the EDAM initiative) the issue of Convergence Bidding. However, SVP requests CAISO respond with any preliminary thoughts as to SVP’s questions in the November 2019 comments⁷ regarding how the EDAM initiative will address convergence bidding at intertie scheduling points.

Regarding issues from SVP’s November Comments that were addressed to a degree during the Workshops, SVP requests confirmation from the CAISO on SVP’s understanding of information provided during the workshops:

- 1) During the February 11, 2020 EDAM Workshop, the EIM Entities and the CAISO both discussed during their presentations their envisioned testing requirements for the Resource Sufficiency Evaluation in the EDAM. Based on the presentations, it appears that only the Capacity Test and Flexible Ramping Sufficiency Test would be carried over from the EIM into EDAM.
- 2) During the February 12, 2020 EDAM Workshop, the presentations discussed “Bucket 3” transmission provided by the transmission service provider, and potential approaches to designing a compensation mechanism for such transmission (see Slide 23 of EIM Entities’ Transmission Presentation). Based on the EIM Entities’ comments during the Workshop, at this stage, it is unclear whether this would be at a BAA’s tariff-approved transmission rate separate from EDAM, or whether the transmission rate would be included in the CAISO tariff to apply across all BAA EDAM participants.

Additionally, SVP takes this opportunity to address the following additional issues raised during CAISO’s February EDAM Workshops:

- 1) With regard to CAISO’s presentation on the Transmission Access Charge (“TAC”) structure changes during the February 11, 2020 EDAM Workshop, SVP supports the comments submitted today by the Bay Area Municipal Transmission Group (“BAMx”) on this issue. SVP supports BAMx’s call for CAISO to implement, as soon as possible, the hybrid TAC structure included in the September 17, 2018 Draft Final Proposal in CAISO’s TAC Structure Enhancements’ initiative. SVP agrees with BAMx’s observation that the February Workshops did not demonstrate a justification for further delaying such changes in anticipation of EDAM, nor how or why EDAM depends on the existing TAC structure remaining as-is.

⁷ SVP November EDAM Comments at 4 (of .pdf).

2) There is a disconnect between the existing CAISO market, which requires commitment of transmission and supply resources, and the principle of a voluntary EDAM market (as identified by both the CAISO and the EIM Entities as needing to be carried over from the EIM). It is not clear the extent to which EDAM participation will be voluntary, and whether it will be a market that allows participants optionality to participate, or not, and provide shown transmission and supply resources, or not, on a daily basis. How stable will the market be if such optionality is provided, and what is the trade off in value to achieve that optionality as opposed to the CAISO committed market?