

**Submitted by the Cities of Anaheim, Azusa, Banning, Colton,
Pasadena, and Riverside, California (the “Six Cities”)**

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Background:

This document provides an opportunity for interested stakeholders to submit informal comments and perspectives on various topics discussed during the working group process. There is recognition that additional details are needed on these topics that will be developed throughout the initiative, and stakeholders will have opportunities to provide more comprehensive and formalized comments on these topics to the extent these become part of a formal proposal. Please be brief in any written responses to facilitate review, recognizing these represent informal reactions at this early stage.

Please submit your comments using this template to ISOStakeholderAffairs@caiso.com by end of day March 15th, 2022.

Question:

For each question please provide your perspectives on the concepts based on the information discussed in the working groups to date, recognizing that additional detail will be provided through the straw proposal that will allow you to consider the concepts in a more complete light. If desired, please provide additional context and/or identify additional aspects for consideration.

1. Please share your organizations perspective on the need for, and value of, a month ahead (45-day) advisory submission of a general resource plan by the EDAM Entity to provide some level of confidence in meeting day-ahead resource sufficiency throughout the month. (discussed 1.5 & 1.10)

The Six Cities support a requirement that EDAM Entities submit a month-ahead non-binding, advisory resource plan for each month. The exact timing for such submissions does not appear critical, but forty-five to thirty days prior to the start of the relevant month would seem to offer the greatest value. Although non-binding, such submissions should provide a useful overview of resources that EDAM Entities anticipate being available in the relevant month and potentially will provide an early warning of possible tight conditions on a

system-wide basis. The plans should endeavor to include resources sufficient to meet the most current load forecasts for the relevant month plus an appropriate adder for uncertainty and reserves. Because the plans would be non-binding, there does not seem to be any need to require or allow a submitting EDAM Entity to cure a perceived deficiency. Further discussion would be helpful in establishing the desired granularity of the forward plans, but the advisory, non-binding nature of the plans would support balancing the level of granularity required with the administrative burden of developing the plans. Another alternative for reducing administrative burden would be to limit the requirement for submission of forward plans to the months of June through September, subject to possible expansion (perhaps through the Business Practice Manual revision process) if considered necessary.

Determining the scope of access to the plans following submission would benefit from further discussion. Although there could be benefits in providing broad access to some or all of the information in the plans, the Six Cities are concerned that widespread distribution of the plans also could facilitate misuse of the information to develop strategies for exacerbating or exploiting tight resource conditions. On a preliminary basis, the Six Cities recommend that access to the individual plans be limited to the CAISO (as Market Operator) and the EDAM Entity submitting each plan, but that the CAISO provide an overview report to all EDAM Entities.

2. Please share your organizations perspective on the nature of the consequences for failing to pass the Day Ahead resource sufficiency evaluation. Should the consequence be physical freezing of transfers, or a form of financial consequence? (discussed 2.23)

So long as there are sufficient resources on a system-wide basis to support system-wide load forecasts plus adders for uncertainty and reserves, the Six Cities recommend that consequences of failing the Day-Ahead RSE test be limited to financial penalties. There should be advisory notice of and opportunity to cure anticipated deficiencies. Financial penalties should be administrative in nature (as opposed to applying market hurdle rates) and applied after-the-fact for RSE deficiencies that exceed an established threshold (scaled in relation to EDAM Entity forecasted load). There should be an escalating penalty framework that imposes higher penalties for repetitive deficiencies.

For hours when the EDAM RSE test results indicate that system-wide resources would not be sufficient to support system-wide load forecasts plus adders for uncertainty and reserves, the EDAM processes should limit or, alternatively, reduce priority for, EDAM transfers into BAAs that have not passed the RSE test for the hour. When RSE failures occur at times when overall system supply is tight, it is reasonable that BAAs passing the RSE have a higher priority for access to EDAM supply than deficient BAAs. Because there is time to seek additional resources between the publication of the EDAM outcomes and the Real-Time Market, it may not be necessary to limit EDAM transfers to deficient entities, but deficient entities should be aware that, to the extent of a deficiency, transfers cleared in EDAM may be curtailed in Real-Time (prior to any curtailment of EDAM transfers to BAAs that passed the EDAM RSE or EIM transfers to entities that passed the EIM RSE) if system supply cannot support all transfers.

3. Please share your organizations perspective on whether there is merit to creating platform to facilitate intra-day, before the day-ahead market is run, trading of bid range and imbalance reserve capacity with between EDAM BAAs. (discussed 2.23)

The Six Cities support further consideration of a platform to facilitate trading of bid range and imbalance reserve capacity between EDAM BAAs. It is not clear why the time window for such trades necessarily should be limited to intra-day prior to the running of the day-ahead market as opposed to a broader time horizon such as multi-day or even weekly. However, the CAISO should balance the commitment of resources to the development of such a platform with the level of interest in using the platform expressed by stakeholders.

4. Please share your organizations perspective on whether a penalty structure needs to be developed to incent performance of firm energy contracts supporting imports (*i.e.*, WSPP Schedule C arrangements) utilized to demonstrate resource sufficiency and sources from non-EDAM BAAs. (discussed 2.23)

The Six Cities take no position at this time with respect to this issue. It would help to understand the potential need for and consequences of adopting such penalties if the CAISO could provide additional information with respect to: (i) the frequency of performance failures experienced with respect to firm energy contracts supporting imports and sources from non-EIM BAAs, (ii) data, if available, correlating the frequency of performance failures for firm energy contracts supporting imports and sources from non-EIM BAAs with system conditions at the time of the performance failures, and (iii) the nature of existing consequences (*e.g.*, intertie deviation provisions, liquidated damages) currently applicable to performance failures for firm energy contracts supporting imports from Non-EIM BAAs.

5. Please share your organizations perspective on the Residual Unit Commitment (RUC) as an integral component of the EDAM framework based on the working group discussions to date. Should RUC be part of the EDAM? (discussed 2.25, 2.28)

The Six Cities' view is that some process designed to ensure that adequate resources are committed on a day-ahead basis to supply forecast system demand will be a necessary component of the EDAM so long as the Integrated Forward Market design (i) clears on the basis of bid-in Demand (as opposed to forecast Demand plus adders for uncertainty and reserves), or (ii) allows virtual Supply bids to clear to meet Demand. However, whether such a process necessarily has to include the features of the currently effective RUC process in the CAISO's Day-Ahead Market and whether the same residual supply commitment process must apply on a system-wide basis are open questions. Conceptually, it may be possible to apply some type of residual commitment process on an individual BAA basis, but it would be necessary to weigh the potential benefits of such an individualized approach against possible diminution of economic efficiencies available through RUC optimization on an EDAM-wide basis.

6. Please share your organizations perspectives on convergence bidding (virtual bidding) as a feature of the EDAM based on the working group discussions to date. Should convergence bidding be a feature of the market, Day 1, at the start of EDAM? (discussed 2.25, 2.28)

The Six Cities do not have a strong position at this time with respect to inclusion of convergence bidding in the overall EDAM market design, but they would have serious concerns with allowing convergence bidding in some EDAM BAAs but not all EDAM BAAs. Asymmetric implementation of convergence bidding in individual BAAs would appear likely to create opportunities for manipulation or gaming with potentially adverse consequences.

With respect to consideration of allowing convergence bidding on a system-wide basis in the EDAM, the Six Cities request that the CAISO provide or identify for stakeholders any empirical analyses of the quantifiable benefits of convergence bidding in the CAISO or other organized wholesale electricity markets compared with the profits paid to convergence bidders in the same markets.

7. Please share your organizations perspective on the topic of dependability of EDAM transfers. What is the level of confidence and/or priority that should be afforded to EDAM transfers relative to other transactions? (discussed in upcoming 3.9 meeting)

The Six Cities' view is that further discussion on this topic is necessary. The Six Cities understand the view that because the EDAM output may result in decommitment of longer-start resources, participating EDAM BAAs should be able to have a high level of confidence that EDAM transfers will remain available in Real-Time. On a preliminary basis, and with the significant exception noted below, the Six Cities are inclined to agree that transfers cleared in EDAM should have priority over EIM transfers. However, if available resources are re-optimized in the EIM, along with the resources and loads of potentially additional EIM Entities that did not participate in the EDAM, it remains unclear to the Six Cities what mechanism will allow EDAM transfers to be preserved in the EIM.

Further, as noted above, there should be an exception to any general priority for EDAM transfers over Real-Time transfers to the extent the EDAM allows transfers to entities that fail the EDAM RSE test at times when overall test results indicate that system-wide resources would not be sufficient to support system-wide load forecasts plus adders for uncertainty and reserves. Under such circumstances, EDAM transfers to entities that failed the EDAM RSE, to the extent of the deficiency, should be curtailable in Real-Time prior to any curtailment of EDAM transfers to BAAs that passed the EDAM RSE or EIM transfers to entities that passed the EIM RSE if system supply cannot support all transfers.