



California ISO

Extended Day Ahead Market
Working Group 1 Weekly Report

Supply Commitment and Resource Sufficiency

Week 10 Report

3/7/22 – 3/11/22

Progress Tracker

Topic	Schedule
Core Design Decision	
Resources qualifying	Discussed 1/12,19,21,24,26, 2/14,16,23
Expected granularity and detail	Discussed 1/10,12,19,21,31, 2/7,14,16,23
Ancillary Services requirement	Discussed 1/12
Transfer Reliability	
Reliability and confidence in EDAM transfers	Discussed 3/9
RSE Advisory Showing	
Characteristics of 45 day ahead advisory showing	Discussed 1/5,10
RSE Timing	
Timing of conducting the EDAM RSE	Discussed 1/10,12, 2/16,23,25,28, 3/2
EDAM RSE Components	
Capacity Test	Discussed 1/12
Ramp Capability Test	Discussed 1/12
Test Constraints	Discussed 2/7, 14, 25
Inputs	Discussed 2/7, 14, 25
EDAM RSE	
Resource Qualification Rules	Discussed 1/12,19,21,24,26,31, 2/7,14,16
Failure Consequences	Discussed 2/16,23, 3/7
EDAM to EIM RSE	Discussed 3/9
Interaction with Western RA Programs and Reserve Sharing Groups	
Reserve Sharing	Planned for 3/14
RA Programs	N/A

Weekly Discussion

March 7

Scope Items Discussed: Failure Consequences; RUC/CB

Presenters: Danny Johnson

Discussion

The objectives for the March 7th meeting were stated as returning to complete discussion on the failure consequences, then use time remaining for questions and comments from the March 2nd meeting and start the confidence in EDAM transfers topic if time allows. The failure consequences discussion began with stakeholder responses to three questions related to financial consequences followed by presentation and comments on the hurdle rate and administrative penalty concepts.

Consequence based on Persistent Failure

The first of the three questions asked if there is merit to the idea of increasing consequences for persistent failures. Responses included: increases are supported coupled with a backstop mechanism to freeze transfers or an alternative with details to be determined; need expressed for a process and criteria for returning to normal participation; need expressed for robust and transparent oversight such as DMM reporting; question regarding how consequences imposed on balancing authority area (BAA) will translate to the underlying entities received reply, BAA is ultimately responsible for managing the process to establish rules for curing and allocating any cost for failures; and a question to understand possible diversity credits was answered with response that all capacity submitted will be subject to market optimization to realize the benefits.

Consequence Timing

The second question requested thoughts on different levels of financial consequences based on time of year and received the following input: suggestion to base consequences on system conditions with greater level when BAA is under stress, although a challenge was raised regarding the appropriate counterfactual to use, to which price cap triggers was offered; clarification was provided that the on-demand option with demand forecast at set time is expected to be part of the resource sufficiency evaluation (RSE) proposal; question regarding curing options was met with response that bid range or capacity trading options either before or after the final RSE may be considered; concerns were expressed with availability of excess supply and desire to see a truly efficient way to incorporate all capacity in the market; and questions were received about failure consequence timing and view of demand response in the EDAM (these have been discussed previously).

Consequence Magnitude

The third question stakeholders considered was whether to increase magnitude of consequence with magnitude of failure and this received a comment in support for percentage based approach and questions regarding forecast accuracy, answered as most accurate forecast available and whether a footprint wide check would be considered, which was given response this was not previously considered.

Hurdle Rate

The discussion then transitioned to a review of the hurdle rate and administrative penalties options. The hurdle rate input included: dynamic rate may be better than fixed which may provide gaming opportunities; preference expressed for administrative penalties over hurdle rate; suggestion that a

hurdle rate would interfere with market efficiency with addition of artificial costs to bids; concern for burden of hurdle rate and preference for optionality; concern for shifting problem around; concern for creating incentive to withhold to gain penalty rates.

Administrative Penalty

Administrative penalty comments included: suggestion to apply only for habitual leaning; financial penalty may not be best approach in light of the EDAM intent to help each other, so transfer limits might be more appropriate although the question of how to set transfer limits is an open question; opposition for the idea of an opportunity to procure capacity in EDAM and the need for failure consequences to ensure entities offer enough capacity to meet their obligations; a comment supporting a limit on transfers as a consequence; importance of a well-defined test; additional comments indicating neither the hurdle rate nor administrative penalties viewed as effective consequences; and concerns expressed regarding potential of double penalties such as penalty in EDAM and then EIM for the same failure, followed by response that the proposed design will take these into account.

RUC and CB Follow up

The meeting continued with a return to the questions and comments left in the queue at the end of the meeting on March 2nd regarding the reliability unit commitment (RUC) and convergence bidding (CB) topics. The questions raised included: inquiry regarding granularity of virtual bids and RUC to which the response was granularity will be the same; question regarding CB applicable in some BAAs and not others, which was met with response there could be an impact; further questions regarding the details and understanding of RUC and application of RUC; and a final comment supporting RUC.

Next Meeting

The meeting closed with a summary of the meeting discussion and review of the plan for the March 9th meeting to cover EDAM transfer reliability and a presentation of transfer examples covering scenarios under stressed system conditions.

Conclusion:

The work group returned to the failure consequences topic to gather additional input regarding details of financial consequences relative to persistence, timing and magnitude of the failure and the hurdle rate and administrative penalty options presented in an earlier meeting. This completed work group discussion on the failure consequent topic and then the group returned to the RUC and Convergence Bidding topics to take remaining questions and comments on these areas. With these areas completed, the work group will move to the EDAM transfer reliability topic in the March 9th meeting.

March 9th

Scope Items Discussed: Confidence in EDAM Transfer

Presenters: CAISO Team: Milos Bosanac, Danny Johnson, George Angelidis; SRP: Bobby Olsen

Discussion

The work group completed the failure consequences discussion and began the discussion of confidence in extended day ahead market (EDAM) transfers topic. The CAISO has posted questions in a [template document](#) on the in the 3/7/2022 web meeting block of the [Work Group 1 web page](#) for those entities wishing to provide written comments; responses are due at the end of the day on March 15, 2022. The CAISO team presented an overview of the confidence in EDAM transfers topic, key considerations for the discussion, and the concept of transfer reliability as a prerequisite to realize EDAM benefits in both the day ahead and real time. Questions regarding this presentation generally inquired about the market functioning in stressed conditions, and this was followed by presentation of EDAM transfer reliability examples by Bobby Olsen, SRP. Bobby presented examples 1 and 2 which represented two examples of how firm EDAM transfers might resolve in real time. Example 1 represented a case in which there is a real time loss of generation and the re-dispatch of transfers to meet all obligations whereas in example 2, the loss of generation results in insufficient footprint capacity. There were no questions or comments on Example 1. Comments on Example 2 began with an observation that the shortfall would be larger without the Western Energy Imbalance Market (WEIM). There were a number of comments and questions regarding variations on the example, who bears responsibility for various contingencies, and how EDAM will change the market function. The response stated that the distinct difference is the base schedules are not fully optimized. There was also an expressed need to explain scenarios of various emergencies and contingencies. An example of a day ahead export and RUC scheduling counter flow from an adjacent area was discussed and this was followed by another example describing an export scheduled with an equal and opposite export. A concern regarding use of RUC was expressed and others responded that RUC is designed to secure the needed physical capacity. These comments took the work group to the end of the meeting and a commitment to continue with EDAM transfer reliability examples in the next meeting on March 14th.

Conclusion:

The work group completed the failure consequences discussion in the March 7th meeting. The meeting began with notice to provide responses to the Work Group 1 questions posted on the webpage and the group was introduced to the Confidence in EDAM Transfer topic and presented with two examples followed by questions and comments. The group will continue with the discussion in the next meeting on March 14th.