

California Community Choice Association

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- 1. Please provide your organization's feedback on what modifications the ISO should make to its final Day-Ahead Market Enhancements (DAME) proposal based on the discussion from the recent February 27 and March 7-8 DAME workshops:**

The California Community Choice Association (CalCCA) recommends the California Independent System Operator (CAISO) modify the final proposal to include a settlement mechanism to allow load-serving entities (LSEs) and generators to make transfers of capacity revenues consistent with the terms of their Resource Adequacy (RA) contracts. A settlement mechanism is necessary and compatible with the nodal, zonal, or Southern California Edison Company (SCE) approaches, since all three options could change RA bidding rules by allowing RA resources to bid in at a non-zero price and to receive a capacity payment if the market awards them Imbalance Reserves or Reliability Capacity.

With this change, many RA contracts would require RA resources to transfer revenues from capacity payments from the CAISO market to LSE counterparties given the LSE counterparty already paid for the capacity through the RA contract. Because RA resources currently receive capacity payments through RA contracts and not through the CAISO market, many RA counterparties do not have the systems and processes in place to facilitate the transfer of such payments. However, the final proposal does not include any way to facilitate the transfer of those revenues from generators to LSEs, which could result in LSEs paying generators twice for the same capacity: once through the RA contract and again through the Imbalance Reserve or Reliability Capacity payment. In order to avoid this result, LSEs and generators would need to perform their own individual settlements to transfer the capacity revenues from the CAISO to the LSE. Such a process would be onerous given the large number of entities and volume of transactions.

To avoid duplicative capacity payments and reduce the burden on market participants, the CAISO must modify the final proposal to allow inter-scheduling coordinator (SC) trades for both Imbalance Reserve and Reliability Capacity payments to allow RA counterparties to transfer revenues consistent with their RA contracts. Allowing inter-SC trades for Imbalance Reserves and Reliability Capacity would facilitate the transfer of revenues from Imbalance Reserve and Reliability Capacity payments while also not dictating how capacity payments would be allocated between counterparties, as inter-SC trades are an *optional* service both counterparties must agree to. CalCCA's comments on the draft final proposal provide additional detail regarding how the CAISO could simplify the implementation of an inter-SC trade.[\[1\]](#)

In the Revised Final Proposal, the CAISO should include the inter-SC trade functionality for Imbalance Reserves and Reliability Capacity to allow LSEs and generators to make transfers of capacity revenues consistent with the terms of their RA contracts.

[1] CalCCA Comments to the Draft Final
Proposal: <https://stakeholdercenter.caiso.com/Comments/AllComments/9ad17b1a-1975-490c-85f0-c52d3984e28e#org-f7d692dc-85bc-427a-a11f-4bd07886dcc9>.