California Community Choice Association

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1. Please provide a summary of your organization's comments on the April 5, 2023 Extended Day-Ahead Market (EDAM) ISO Balancing Authority Area (BAA) Participation Rules stakeholder workshop discussion:

The California Community Choice Association (CalCCA) appreciates the opportunity to comment on the April 5, 2023 EDAM ISO BAA Participation Rules stakeholder workshop. CalCCA's comments focus on (1) resource sufficiency evaluation (RSE) cost allocation, (2) setting the net export transfer constraint in a manner that preserves capacity dedicated to California during times of system stress, and (3) clarifying the historical wheeling access charge (WAC) revenue recovery proposal.

In summary:

- CalCCA supports the initiative's scope and schedule and agrees with the need to complete Track A issues to support day 1 of EDAM go-live. As the discussion evolves, the California Independent System Operator Corporation (CAISO) and stakeholders should consider whether certain Track B elements can be revisited after initial EDAM implementation.
- The ideas for Track A on Slide 20 appear to be the right steps to take using existing tools if the CAISO fails advisory RSE. CalCCA supports exploring a CAISO balancing authority areas (BAA) procurement mechanism to cure RSE advisory failures once the options on Slide 20 are exhausted. Any CAISO procurement mechanism should allow for the consideration of the magnitude of the failure, the cost of curing the failure, and the cost of failing the RSE before curing.
- CalCCA does not support allocating RSE failure surcharges based upon demand net supply (option three), as many load-serving entities (LSEs) are not their own scheduling coordinators, making it difficult, if not impossible, to tie supply offers to LSEs. Additionally, LSEs are incentivized to bring enough supply to the day-ahead market through both the California Public Utilities Commission (CPUC) and the CAISO Resource Adequacy (RA) compliance mechanisms.
- CalCCA supports the list of conditions for setting the net export transfer constraint included in the CAISO presentation, including Flex Alerts, D+2 Residual Unit Commitment (RUC) infeasibilities, and the RA outlook (Slide 30), as each of these conditions can signal stressed system conditions.
- Transfer resource settlement payments should be allocated in a manner that is consistent with how the charges are allocated.

It is unclear at this point how to accurately capture historical WAC revenues given the impacts EDAM will have on schedules and WAC's dependency on the current state of the transmission system.

2. Provide your organization's comments on the proposed EDAM ISO BAA Participation Rules initiative scope and schedule:

CalCCA supports the initiative's scope and schedule and agrees with the need to complete Track A issues to support day 1 of EDAM go-live. As the discussion evolves, the CAISO and stakeholders should consider whether it is necessary to complete Track B policy and take it to the CAISO Board of Governors before EDAM implementation or whether certain Track B elements can be revisited after initial EDAM implementation. Completing the Track B policy after initial EDAM implementation would allow time to see how the Track A policies function before finalizing the Track B policy.

3. Provide your organization's comments on scope item #1 – process to cure advisory resource sufficiency evaluation (RSE) shortfalls:

CalCCA largely supports the proposed objectives for curing advisory RSE shortfalls, including minimizing RSE failures while also minimizing additional BAA costs, curing RSE shortfalls using existing mechanisms, and allocating costs in a manner commensurate with cost causation where feasible (see Slide 18). As discussed in response to question four below, CalCCA has concerns with the discussions around cost allocation, particularly when considering allocating costs dependent upon LSE contracted supply.

The ideas for Track A on Slide 20 appear to be the right steps to take using existing tools if the CAISO fails advisory RSE. These steps could be sequenced so that the more costly measures, such as exceptional dispatch, occur later in the process and those that leverage existing resources under contract occur earlier in the process (like moving forward the bid insertion timeline for RA resources). When issuing market notices to LSEs asking for additional offers, the CAISO should include the size of the deficiency and the LSEs' share of the deficiency so the LSEs know the amount of deficiency charges that could be allocated to them if not cured. This information should be provided confidentially to each LSE so as not to reveal market-sensitive information as LSEs attempt to cure.

CalCCA supports exploring a CAISO BAA procurement mechanism to cure RSE advisory failures once the options on Slide 20 are exhausted. Any CAISO procurement mechanism should allow for the consideration of the magnitude of the failure, the cost of curing the failure, and the cost of failing the RSE before curing. Any resource eligible to count towards the RSE should be eligible to cure RSE advisory shortfalls.

A CAISO BAA procurement mechanism could be modeled off the CAISO's existing Capacity Procurement Mechanism (CPM) used for RA deficiencies, significant events, and exceptional dispatches. CPMs typically have a 30-day minimum term, but as the CAISO notes on Slide 21, a one-day term may fit best with the timing of the RSE given the RSE is re-run daily to capture loads, resources, and uncertainty for each day. The CAISO should explore whether or not a one-day term would be supported by the Federal Energy Regulatory Commission (FERC), given it would divert from previous FERC orders on the term of the existing CPM mechanism. Offers into the CAISO's procurement mechanism should be capped, but the appropriate cap is dependent upon the term of the procurement.

4. Provide your organization's comments on scope item #2 – process to allocate RSE failure surcharges and revenues:

The CAISO presents three options for allocating RSE failure surcharges and revenues (Slide 25). Option one would allocate surcharges and revenues pro-rata to SCs based upon metered demand. Option two would allocate surcharges to generators who did not comply with their must-offer obligations and revenues to generators who did comply with their must-offer obligations. Option three would allocate charges to SCs based on metered demand net of supply and revenues to SCs based on supply net of metered demand.

CalCCA understands the long-term objective of incenting market participants to bring enough supply to the day-ahead market to pass the RSE by allocating costs and revenues in a manner that follows cost causation principles. However, CalCCA does not support option three because it would be extremely difficult to tie a resource's schedule to a particular LSE, which appears to be the intent of the option. LSEs do not have to be the scheduling coordinator for their resources. Since that is the case, there is not a one-for-one relationship between the schedule of a resource and the LSE for which it is serving. Even where an LSE is the scheduling coordinator for a resource, there is no guarantee that the resource being scheduled is to serve that LSE's load. The LSE may have sold the output associated with that resource to another LSE. The only way to realistically allocate charges based on metered demand net of supply to understand the contractual obligation between LSEs and resources, the schedule alone does not provide this information.

Additionally, implementing option three on top of the RA program compliance mechanisms already in place would result in duplicative charges on LSEs who have already paid for their deficiencies through the RA program. LSEs are incentivized to bring enough supply to the day-ahead market through both CPUC and CAISO RA compliance mechanisms. The RA program incents upfront compliance through a robust penalty structure at the CPUC. LSEs face tiered penalties increasing in price based upon the number of deficiencies the LSEs have. If LSEs are short on their RA requirements, in addition to paying the CPUC penalties, the CAISO can backstop through its CPM to fill the deficiency and allocate costs first to deficient LSEs. Therefore, LSEs will either (1) collectively meet their RA obligations, obviating the need for CAISO backstop, or (2) receive costs of CAISO backstop allocated to them if they are the cause of a deficiency. After CAISO backstop for RA deficiencies occurs, LSEs' obligations to bring supply to the day-ahead market should be considered fulfilled, and it is up to the supplier to ensure the resource is available and offered into the day-ahead market consistent with its must-offer obligation to pass the RSE. If a resource does not comply with its must-offer obligation, the resource is assessed Resource Adequacy Availability Incentive Mechanism (RAAIM) penalties.

For these reasons, CalCCA opposes option three. The CAISO should adopt option one in Track A and consider whether or not to adopt option two at a later date. Option two may be duplicative of RAAIM charges. However, it is unclear if RAAIM is effective at incenting supply to be available to meet its RA obligations. If the CAISO transitions away from RAAIM to another availability incentive, like unforced capacity, it may be prudent to revisit option two at a later date.

5. Provide your organization's comments on scope item #3 – criteria to set the ISO BAA's net EDAM export transfer constraint:

The CAISO asks how to set the optional "confidence factor" that will be used to account for the deliverability of non-RSE eligible supply, like economic imports with untagged day-ahead schedules. Using historical data on the deliverability of non-RSE eligible supply appears to be the best data source for setting the confidence factor.

The CAISO also asks how the CAISO should set the conditions for using the "additional margin" to constrain the CAISO BAA's net EDAM export transfers. CalCCA supports the list of conditions included in the CAISO presentation, including Flex Alerts, D+2 RUC infeasibilities, and the RA outlook (Slide 30), as each of these conditions can signal stressed system conditions.

In this initiative, the CAISO and stakeholders should also consider how the CAISO would set the additional margin percentage once triggered. In the example on Slide 29, it appears in HE 12, the CAISO could set the additional margin anywhere from 0 megawatts (MW) - 3,000 MW. Once triggered, would the CAISO set the additional margin at the maximum amount or would there be an additional decision point deciding where to set the additional margin once one of the conditions on Slide 30 has been met.

6. Provide your organization's comments on scope item #4 – transfer resource settlement and transfer revenue distribution:

Transfer resource settlement payments should be allocated in a manner that is consistent with how the charges are allocated.

7. Provide your organization's comments on scope item #5 – historical wheeling access charge recovery process:

Currently, wheel through and export energy from the CAISO BAA is subject to the WAC. Under EDAM, instead of receiving export schedules, the market will determine transfer energy schedules at transfer locations with other EDAM entities, and these transfer schedules will not be subject to WAC. The EDAM policy establishes a mechanism for recovering foregone WAC revenues. The question of how to establish foregone WAC revenues is a complicated one, and at this point, CalCCA has additional questions, rather than recommendations.

- Does the CAISO anticipate that historical usage will reflect what usage would have been at that time under an EDAM?

- As the transmission system changes, flows on the transmission system will also change. How will new transmission affect flows relative to historical flows? How will the CAISO determine whether the WAC charge would increase or decrease based upon these changes?
- Would the CAISO use the last three years' historical usage prior to EDAM implementation going forward or rolling three years' historical usage?

It is unclear at this point how to accurately capture historical WAC revenues given the impacts EDAM will have on schedules and WAC's dependency on the current state of the transmission system.

8. Provide any additional comments on the April 5, 2023 EDAM ISO BAA Participation Rules stakeholder workshop discussion:

CalCCA has no additional comments at this time.