California Community Choice Association

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1. **Please provide a summary of your organization's comments on the June 14, 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 Extended Day-Ahead Market ISO BAA Participation Rules Workshop and thanks the Workshop presenters for their proposals. CalCCA provides the following recommendations on the net EDAM export transfer constraint and resource sufficiency evaluation (RSE) failure surcharge and revenue cost allocation:

- The net-export transfer constraint should be turned on at all times;
- The California Independent System Operator Corporation (ISO) should set the confidence factor for the net-export transfer constraint at zero during stressed system conditions;
- During non-stressed system conditions, the ISO should set the confidence factor using historical data specific to non-stressed conditions; and
- The ISO should use a metered demand cost allocation as proposed by the ISO for RSE failure surcharge and revenue cost allocation in the interim.

2. **Provide your organization's comments on the initiative tracks and schedule, including interaction with other initiatives, as described in slides 7-8 of the ISO's presentation:**

CalCCA supports the tracks and schedule for this initiative.

3. **Provide your organization's comments on the net EDAM export transfer constraint, taking into account the presentations by California Public Utilities Commission Public Advocates Office, San Diego Gas & Electric, Southern California Edison, and ISO staff:**

The net-export transfer constraint should be in effect at all times, with the confidence factor and reliability margin set based on whether hours are considered stressed or non-stressed.

During stressed hours, the confidence factor should be set to zero to avoid firming up EDAM export transfers based upon non-firm and non-RSE-eligible economic imports when the ISO BAA is facing potential reliability issues. During non-stressed hours, the ISO should use historical data specific to non-stressed conditions to set the confidence factor as long as stressed hours are defined in a way that fully covers the range of conditions that can potentially cause reliability issues.

To define stressed hours, the ISO should adopt its proposed conditions[1] with the additions proposed by Southern California Edison Company (SCE),[2] such that the confidence factor would be set to zero if any one of the following conditions occur as of the 8 a.m. day-ahead ISO BAA operations meeting:

- Operational RA capacity + RA credits < demand forecast + contingency reserve requirement + regulation reserve
    - The stakeholder process should consider defining hours as stressed if forecast excess RA falls below some threshold (e.g., 1,000 megawatts (MW))
- Operational net RA capacity + RA credits < net demand forecast + contingency reserve requirement + regulation reserve
    - The stakeholder process should consider defining hours as stressed if forecast excess net RA falls below some threshold (e.g., 1,000 MW)
- Advisory RSE upward failure quantity – expected day-ahead offers not yet submitted by available RA resources with day-ahead must offer obligations > 0
- Restricted Maintenance Operations
- Transmission Emergency
- D+2 RUC infeasibility
- EEA Watch, Warning or Emergency
- Flex Alert
- If the ISO opts into assistance energy, or if 8-day look-ahead period shows a shortage

Defining stressed hours in this way should fully cover the range of conditions that can potentially cause reliability issues.

CalCCA agrees with the proposed reliability margin setting outlined by the ISO,[3] in which the ISO will calculate the default reliability margin value for each hour by taking the max of (1) replacement reserves based on forecasted most severe single contingency; (2) protection for a non-credible contingency based on weather conditions (fires); (3) gas OFO/curtailments; and (4) (during stressed hours) the Imbalance Reserve Up requirement. The ISO should clarify how it will set the reliability margin value when gas OFO/curtailments are in place, as it is not clear how that condition translates to a MW value.

[1] ISO Presentation at 15: http://www.caiso.com/InitiativeDocuments/Presentation-ExtendedDay-AheadMarketISOBAAParticipationRules-Jun14-2023.pdf.

[2] SCE Presentation at 3: http://www.caiso.com/InitiativeDocuments/SCEPresentation-NetEDAMExportTransferConstraint-EDAMISOBAAParticipationRules-Jun14-2023.pdf.

[3] CAISO Presentation at 17: http://www.caiso.com/InitiativeDocuments/Presentation-ExtendedDay-AheadMarketISOBAAParticipationRules-Jun14-2023.pdf.

4. Provide your organization’s comments on solutions for allocating RSE failure surcharges and revenues, taking into account the presentations by Southern California Edison, San Diego Gas & Electric and Six Cities:

Please include your organization's specific recommendation for an interim solution.

For the interim solution, CalCCA supports using a metered demand cost allocation, as proposed by the ISO. While CalCCA supports the allocation of costs on a cost-causation basis consistent with the principles put forth by the ISO,[1] none of the other proposed interim options meet these principles and they will not result in an accurate allocation of costs to market participants that caused the RSE failure. The ISO should implement a metered demand cost allocation for day one of EDAM and consider in track two if and how to modify the approach for the long term.

The ISO should avoid allocating RSE failure surcharges based on showings of Resource Adequacy (RA) resources alone. Many factors drive RSE failures or surpluses in addition to RA showings (including contracts for non-RA supply, RA and non-RA generators on outage, the availability of substitute capacity not shown). For example, if a load-serving entity (LSE) had a 10 MW RA deficiency and 10 MW energy-only capacity in their portfolio, that LSE would not be deficient from an RSE perspective but would be allocated costs as if they were deficient under an approach that allocates costs based on RA showings.

Approaches that target just one of the many causes of RSE failure could ***worsen*** cost causation relative to a metered demand approach. Therefore, conducting cost allocation based upon only one of the possible drivers of an RSE failure just because that driver is easier to identify than the others is not just and reasonable. The cost allocation methodology needs to either look at all the major causes costs are incurred or none of them.

While SCE indicates a metered demand allocation "lack[s] emphasis of the importance of forward procurement…,"[1] allocating RSE charges based upon metered demand would not cause "bad acting LSEs" to not meet their RA obligations or, alternatively, incentivize LSEs to meet their RA obligations any more than existing incentives already do. The penalties for RA deficiencies at the California Public Utilities Commission (CPUC) start at $8.88 in the summer months and go up to three times that amount for repeat deficiencies. LSEs also face reputational risk with being on the RA penalty list. If the CPUC's May 25, 2023, RA Proposed Decision[2] goes into effect, some LSEs face limits on expansions if they do not meet their RA requirements. There is no lack of emphasis on forward procurement. If LSEs do not meet their RA obligations, it is likely a factor of RA market shortages, and not because of insufficient incentives to comply.

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[1] SCE Presentation at 3: http://www.caiso.com/InitiativeDocuments/SCEPresentation-AllocatingRSEFailureSurcharges-Revenues-EDAMISOBAAParticipationRules-Jun14-2023.pdf.

[2] *Decision Adopting Local Capacity Obligations For 2024 - 2026, Flexible Capacity Obligations For 2024, and Program Refinements*, R.21-10-002 (May 25, 2023), at 31-41: http://docs.cpuc.ca.gov/SearchRes.aspx?DocFormat=ALL&DocID=509800450.

[1] *Id.* at 21.

5. Provide any additional comments on the June 14, 2023 stakeholder workshop discussion:

CalCCA has no additional comments at this time.