

# California Community Choice Association

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## Contact

Shawn-Dai Linderman (shawndai@cal-cca.org)

### **1. Please provide a summary of your organization's comments on the Extended Day-Ahead Market (EDAM) ISO Balancing Authority Area (BAA) Participation Rules track A1 draft final proposal, and Aug 2, 2023 stakeholder call discussion:**

The California Community Choice Association (CalCCA) appreciates the opportunity to comment on the EDAM ISO BAA Participation Rules Track A1 Draft Final Proposal (Draft Final Proposal) and August 2, 2023 stakeholder call. In summary, CalCCA recommends:

- The ISO should adopt its proposals to always keep the net export transfer constraint on, distinguish between stressed and non-stressed hours for the confidence factor and reliability margin, and memorialize other details in the Business Practice Manual (BPM);
- Adopt the ISO's proposal to initially use a confidence factor of zero during non-stressed and stressed system conditions;
- Transmission revenue recovery and Wheeling Access Charge (WAC) revenues should be a transitional mechanism only, accompanied by a sunset date such that the proposal does not introduce indefinite uplift payments and market inefficiencies;
- The ISO should adopt its proposal to allocate Resource Sufficiency Evaluation (RSE) failure surcharges and revenues on an hourly basis based on megawatt (MW) of metered demand for each Scheduling Coordinator (SC) as a portion of total ISO BAA metered demand; and
- A long-term solution for allocating RSE failure surcharges and revenues will need to deviate from the stakeholder-proposed two-tier allocation methodology in order to accurately capture cost causation.

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

CalCCA supports the proposed EDAM ISO BAA Participation Rules tracks and schedule.

### **3. Provide your organization's comments on the Track A1 draft final proposal: Criteria to Set the ISO BAA's Net EDAM Export Transfer Constraint:**

The ISO should adopt its proposals to keep the constraint on at all times, distinguish between stressed and non-stressed hours for the confidence factor and reliability margin, and memorialize other details in the Business Practice Manual (BPM). Memorializing the details in the BPM will allow the ISO to adjust the confidence factor levels, reliability margin levels, and definitions of stressed and non-stressed conditions

as the ISO and ISO BAA participants gain experience with EDAM. CalCCA supports the revised definition of stressed hours to include net peak hours. The ISO indicates net peak hours automatic triggering of stressed conditions will be applied on a seasonal basis with additional details to be determined in the BPM process. When determining which seasons to use net peak hours as stressed conditions, the ISO should present an analysis in the BPM process to support any findings that suggest net peak hours are not stressed during certain seasons.

While CalCCA originally supported the ISO basing the confidence factor during non-stressed conditions based on historical delivery of non-RSE eligible supply, CalCCA supports the ISO's proposal to use a confidence factor of zero during non-stressed and stressed system conditions. This approach allows the ISO to start conservatively and revise the confidence factors in the BPM process as it gains experience in EDAM. It may be that as the ISO gains this experience, the ISO and ISO BAA participants can become more comfortable with raising the confidence factor during non-stressed system conditions to be more consistent with historical delivery of non-RSE eligible supply.

**4. Provide your organization's comments on the Track A1 draft final proposal: Transfer Resource Settlement and Transfer Revenue Distribution:**

CalCCA has no comments at this time.

**5. Provide your organization's comments on the Track A1 draft final proposal: Process for Recovering Historical Wheeling Access Charge Revenues:**

The ISO proposes a process for determining the recoverable foregone historical WAC revenues, including revenues associated with reduction in WAC revenues at existing transfer locations; unrealized WAC revenues attributed to non-firm use of approved new transmission builds that increase transfer capability between EDAM BAAs; and revenues for wheeling-through transfer volumes for EDAM BAAs that exceed the total imports/export transfers from the EDAM BAA.

CalCCA continues to hold its position from the EDAM stakeholder process and previous comments. That is, while making transmission available to the EDAM on a hurdle-free basis may result in a reduction in transmission revenue and WAC revenues relative to historical revenues, transmission revenue recovery and WAC revenues should be a transitional mechanism only, accompanied by a sunset date such that the proposal does not introduce indefinite uplift payments and market inefficiencies.[\[1\]](#)

The ISO states in the Draft Final Proposal that "in the Extended Day Ahead market, the ISO committed to review this mechanism provision in a future initiative, as the ISO gains experience with EDAM."[\[2\]](#) This review should result in a commitment to sunset the historical transmission revenue recovery mechanism on a reasonable timeframe after EDAM implementation.

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[1] CalCCA Comments on the Issue Paper and Track A Straw Proposal (May 17, 2023): <https://stakeholdercenter.caiso.com/Comments/AllComments/f4f5607b-8a10-4fc7-b065-eca237f20800>.

[2] *Extended Day-Ahead Market ISO Balancing Authority Area Participation Rules Track A1 Draft Final Proposal* (July 25, 2023), at 19: <http://www.caiso.com/InitiativeDocuments/TrackA1DraftFinalProposal-EDAMISOBAAParticipationRules.pdf>.

**6. Provide your organization's comments on the Track A1 draft final proposal: Interim Solution for Allocating RSE Failure Surcharges and Revenues:**

The ISO should adopt its proposal to allocate RSE failure surcharges and revenues on an hourly basis based on MW of metered demand for each SC as a portion of total ISO BAA metered demand. While CalCCA supports the allocation of costs on a cost-causation basis consistent with the principles put forth by the ISO,<sup>[1]</sup> it will take time to develop and implement an approach that accurately allocates costs to market participants that caused the RSE failure. The ISO should adopt its interim proposal for Track A1 and consider in the next track if and how to modify the approach for the long term.

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[1] CAISO Presentation: *Extended Day-Ahead Market ISO Balancing Authority Area Participation Rules*, Stakeholder Workshop on Track A1 (June 14, 2023), at Slide 21: <http://www.caiso.com/InitiativeDocuments/Presentation-ExtendedDay-AheadMarketISOBAAParticipationRules-Jun14-2023.pdf>.

**7. Please also provide your organization's ideas for a Long-Term Solution for Allocating RSE Failure Surcharges and Revenues (which will be developed in Track B). More specifically, please provide your organization's comments on the stakeholder-proposed two-tier allocation methodology (see footnote 21 on page 31 of the draft final proposal) and/or please provide suggestions for the parameters that should be considered in a long-term solution:**

The ISO indicates that it will use the two-tier approach proposed by Pacific Gas and Electric Company, San Diego Gas & Electric, Six Cities, and BAMx (Joint Parties) in their June 28, 2023 comments as the starting point for the long-term cost allocation solution. Under that approach, in the first tier, surcharges are allocated to Load-Serving Entities (LSEs) whose month-ahead supply portfolios (RA + Non-RA) are less than their daily peak LSE metered demand. In the second tier, surcharges are allocated pro-rata to LSE-metered demand. The Joint Parties put forth this proposal as an interim approach intended to be implemented in Track A1. A long-term solution, however, will need to deviate from this proposal in order to accurately capture cost causation.

The ISO and stakeholders should consider the following factors when developing a long-term solution:

- The ISO and stakeholders should start by identifying the many factors that drive RSE failures or surpluses (including contracts for Resource Adequacy (RA) and non-RA supply, RA and non-RA generators on outage, the availability of substitute capacity not shown). 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 some of the possible drivers of an RSE failure just because those drivers are easier to identify than the others is not just and reasonable.
- It could be extremely difficult to tie a resource's schedule to a particular LSE because there is not a one-for-one relationship between the schedule of a resource and the LSE for which it is serving. LSEs do not have to be the scheduling coordinator for their resources. 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. Resources may provide partial capacity or capacity to multiple different LSEs, making it difficult to determine which portion of the capacity ties to which LSE. The only way to realistically allocate charges based on metered demand net of contracted supply may be to understand the contractual obligation between LSEs and resources. The schedule alone does not provide this information.
- RA requirements and RSE requirements are not identical and serve different purposes. Any allocation methodology for RSE failure deficiencies should not be duplicative of RA penalties and should instead target the specific RSE requirements the charges would be based upon. LSEs enter into many different types of contracts with RSE-eligible resources beyond RA-only contracts, including contracts for substitute capacity and contracts for hedges (e.g., firm-energy contracts, call options, etc.).
- There are RA program compliance mechanisms in place to incentivize CPUC and non-CPUC jurisdictional LSEs to bring enough supply to the market. The RSE failure consequences should avoid duplicative charges on LSEs who have already paid for their deficiencies through CPUC and ISO RA compliance mechanisms. The RA program incentivizes 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. The penalties for RA deficiencies at the 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. Some LSEs also face limits on expansions if they do not meet their RA requirements.<sup>[1]</sup> If LSEs are short on their RA requirements, in addition to paying the CPUC penalties, the ISO 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 ISO backstop, or (2) receive costs of ISO backstop allocated to them if they are the cause of a deficiency. After ISO backstop for RA deficiencies occurs, LSEs' obligations to bring supply to the day-ahead market are 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. In short, the mechanism for an RA compliance failure is for the ISO to backstop procure. If it does, then the reason for an RSE failure is not the RA deficiency because the ISO backstopped it. If the ISO does not backstop, then the ISO has determined that it has sufficient RA collectively and once again, the cause of the RSE failure cannot be said to have been caused by an RA deficiency since the ISO determined that collectively, no such deficiency existed.

- If it is not possible to determine cost causation, there is precedent for the ISO allocating costs to metered demand – significant event and exceptional dispatch CPM costs are allocated in this manner.

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[1] California Public Utilities Commission, Decision 23-06-029, *Decision Adopting Local Capacity Obligations for 2024 - 2026, Flexible Capacity Obligations For 2024, and Program Refinements, Rulemaking 21-10-002* (July 5, 2023): <https://docs.cpuc.ca.gov/PublishedDocs/Published/G000/M513/K132/513132432.PDF>.

**8. Provide any additional comments on the EDAM ISO BAA Participation Rules track A1 draft final proposal, and Aug 2, 2023 stakeholder call discussion:**

CalCCA has no additional comments at this time.