California Community Choice Association

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1. Please provide a summary of your organization's comments on the materials shared during the December 4 meeting, the Updated Discussion and Issue Paper regarding Uplift and Default Energy Bid (DEB) , and the Issue Paper.

The California Community Choice Association (CalCCA) appreciates the opportunity to comment on the California Independent System Operator's (CAISO) *Storage Design and Modeling Uplift and Default Energy Bid (DEB) Working Group Updated Discussion Paper* (Discussion Paper). CalCCA agrees with the problem statement documented in the Discussion Paper that the current bid cost recovery (BCR) mechanism could incentivize inefficient bidding by insulating batteries from losses associated with bidder behavior.[1] CalCCA also supports the Discussion Paper's principles, including the need to: (1) develop a separate and distinct BCR mechanism for storage resources; (2) incent assets to be able to deliver their awards, while eliminating incentives for strategic bidding behavior; and (3) determine whether the losses were incurred due to bidder behavior (and therefore may not warrant uplift) or due to market algorithms or CAISO action (and therefore may warrant uplift).

CalCCA is concerned by the CAISO's proposal to remove BCR for storage resources in the day-ahead (DA) timeframe. The CAISO states that "all non-negligible instances of DA bid cost recovery paid to batteries identified by Department of Market Monitoring since 2022 have been exclusively associated with interactions between scheduling coordinator-submitted parameters (*e.g.*, minimum and maximum operating limits, self-schedules, outages) and the DA optimization, causing uneconomic market dispatches."[2] However, it is not clear that this will always be the case, especially given that the CAISO is in the process of implementing significant reforms to the DA market. In addition, the use of storage on the grid is still in its early stages, and it is unlikely that the market has seen all the interactions that storage will have in the DA market. For this reason, if the CAISO moves forward with its proposal to eliminate DA BCR for storage, it should report to market participants quarterly for two years after implementation on the amount and cause of DA BCR that storage resources would have received had they been eligible. Doing so will allow stakeholders to determine whether the basis for not allowing DA BCR remains true or, if not, what measures need to be taken to define DA BCR in a manner that follows the principle that BCR is available only when losses are incurred due to market algorithms or CAISO action.

The CAISO should seek to enhance its DEB methodology to account for real-time conditions and its BCR methodology to compensate storage resources for net losses over the day. More accurate DEBs should improve market efficiency and reduce the need for uplift. A targeted BCR methodology for storage should better ensure delivery of awards while eliminating incentives for uplift-seeking behavior.

The Discussion Paper summarizes various stakeholder proposals for enhancing the DEBs. CalCCA does not yet take a position on these various proposals but recommends that the CAISO further explore DEB enhancements rather than pursue modifications that would exempt storage resources from local market power mitigation (MPM) and uplift payments. MPM is a critical component of the CAISO's market design to prevent suppliers from exerting market power, maintain competitive market outcomes, and ensure just and reasonable rates for customers. The CAISO should therefore seek to enhance the tools and methodologies used to manage storage resources in the market and provide uplift payments *without exempting the technology from MPM*.

The CAISO should require the submission of the DA initial state-of-charge (SOC) parameter within a certain accuracy range. In general, scheduling coordinators (SC) should be responsible for accurately reflecting their resources' characteristics rather than relying on a default value. CalCCA supports adopting a mechanism to incent submissions within a pre-defined accuracy range. If an SC does not select a value despite the requirement to do so, then the CAISO should include a default value. If the default value is outside the accuracy range, the resource should be ineligible for uplift.

[1] Discussion Paper, at 17-18.

[2] Discussion Paper, at 8.

2. Relative to the Updated Discussion and Issue Paper on Uplift and DEB, please provide your organization's comments regarding drivers of day-ahead uplift.

See response in Section 1.

3. Relative to the Updated Discussion and Issue Paper on Uplift and DEB, please provide your organization's comments regarding drivers of real-time uplift.

See response in Section 1.

4. Relative to the Updated Discussion and Issue Paper on Uplift and DEB, please provide your organization's comments regarding the uplift problem statement and guiding principles.

See response in Section 1.

5. Relative to the Updated Discussion and Issue Paper on Uplift and DEB, please provide your organization's comments regarding the storage default energy bid's problem statement and guiding principles.

See response in Section 1.

6. Relative to the Updated Discussion and Issue Paper on Uplift and DEB, please provide your organization's comments regarding concepts related to storage DEB enhancements.

See response in Section 1.

7. Relative to the Updated Discussion and Issue Paper on Uplift and DEB, please provide your organization's comments regarding concepts related to day-ahead uplift for storage resources.

See response in Section 1.

8. Relative to the Updated Discussion and Issue Paper on Uplift and DEB, please provide your organization's comments regarding concepts related to ancillary service constraints.

See response in Section 1.

9. Relative to the Updated Discussion and Issue Paper on Uplift and DEB, please provide your organization's comments regarding concepts related to day-ahead initial state-of-charge.

See response in Section 1.

10. Relative to the Updated Discussion and Issue Paper on Uplift and DEB, please provide your organization's comments regarding concepts related to real-time uplift.

See response in Section 1.

11. Please provide any additional comments, feedback, or examples relative to the Updated Discussion and Issue Paper on Uplift and DEB. You can upload examples or data using the Attachments field below.

See response in Section 1.