



## Comments on Draft final proposal

Initiative: Day-ahead market enhancements

### Comment period

Dec 08, 2022, 11:30 am - Dec 21, 2022, 05:00 pm

### Submitting organizations

California Energy Storage Alliance

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Submitted on 12/21/2022, 08:35 pm

### Contact

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### 1. Please provide a summary of your organization's comments on the Day-Ahead Market Enhancements (DAME) Draft Final Proposal and the December 7, 2022 stakeholder call discussion:

The California Energy Storage Alliance (CESA) appreciates the opportunity to provide comments on the DAME Draft Final Proposal (DFP) put forth by the California Independent System Operator's (CAISO) staff. Throughout DAME's stakeholder process, CESA has been supportive of the CAISO's intent to enhance the day-ahead market by creating novel products that can address the reliability changes of California's rapidly evolving grid. In general, adoption of the Imbalance Reserve (IR) and Reliability Capacity (RC) products will strengthen CAISO's market, efficiently finding reliable outcomes and minimizing the need for out-of-market actions that hinder operations and adversely impact ratepayers. This being said, CESA is concerned with several elements of the DFP that have the potential to dilute the goals of DAME by limiting the supply of IR or making the product otherwise unviable. Furthermore, CESA remains convinced that there is a fundamental disagreement regarding the role of IR within the CAISO market and in the context of the Resource Adequacy (RA) framework. As such, CESA's comments can be summarized as follows:

CESA urges the CAISO to eliminate the local market power mitigation provisions relative to the IR and RC products

While the removal of the RT bid cap is welcome, the eligibility criteria introduced in the DFP are unclear and have the potential to lower the supply of IR, hindering reliability and adversely affecting ratepayers?

While CESA welcomes the elimination of RA settlement provisions, a fundamental disagreement regarding the role of RC and IR remains?

- o CESA is of the position that IR is neither part of RA, nor an "RA successor" product?

### 2. Please provide your organization's overall position on the DAME draft final proposal:

### **Support with caveats**

Support with caveats.

### **3. Please provide a summary of your organization's comments on the summary of changes and responses to stakeholder feedback from the fourth revised straw proposal, as described in Section 1:**

See CESA's answer to Question 1.

### **4. Please provide your organization's comments on the proposed resource adequacy day-ahead must-offer obligation for imbalance reserves as described in Section 3.2:**

CESA offers no comment at this time.

### **5. Please provide your organization's comments on the proposal to establish default bids for mitigation of imbalance reserve and reliability capacity, as described in Sections 3.2 and 3.4.**

CESA remains unconvinced that local market power mitigation mechanisms for the IR and RC products are warranted, particularly considering the fact that a bid cap for both of these products is also included in the DFP. Implementing local market power mitigation for IR and RC would introduce unwarranted complexities since it is unlikely that uncompetitive conditions will exist for these products, especially considering that energy market power mitigation will remain in place. For these reasons, CESA urges the CAISO to eliminate the local market power mitigation provisions relative to the IR and RC products.

### **6. Please provide your organization's comments on the proposal to establish eligibility criteria to provide IRU based on a resource's day-ahead energy offer price, as described in Section 4.3:**

In prior comments within this initiative, CESA argued for the removal of the real-time (RT) energy bid cap associated with the IR product. While the removal of the RT bid cap is welcome, the eligibility criteria introduced in the DFP is unclear and has the potential to lower the supply of IR, hindering reliability and adversely affecting ratepayers. As such, CESA does not support its application.

The potential supply for the IR product is already limited by the eligibility requirements set forth in Section 3.1 of the DFP. By virtue of the 15-minute dispatchability requirement, CESA anticipates that energy storage will play a critical role in the provision of IR. Considering this, CESA is concerned with the ISO's intent to limit the potential pool of IR-providing resources a priori based on energy bids. This is particularly concerning for storage resources since their energy bids are more complex than those of other assets given the need to consider the opportunity costs of any given dispatch. As a result, a methodology that seeks to approximate energy bids by looking at past behavior while potentially useful for conventional assets, provides limited information with regards to energy storage since the bids of these assets not only reflect the direct marginal costs of dispatching, but also the economic costs of dispatching a given interval as opposed to other, more profitable, ones. This purely economic nature of storage makes it especially responsive to price signals, signals that the

proposal discussed herein would hinder.

**7. Please provide your organization's comments on the proposed transitional measures for CAISO load-serving entities as described in Section 5, in context of the removal of inter-SC trading of imbalance reserves and the removal of the reverse settlement of reliability capacity revenue for RA capacity from the proposal:**

Previously, CESA advocated for the complete removal of any features of the IR product that would claw back revenues from facilities with existing RA contracts, as well as of any form of cost allocation for RC as it applies to RA assets. CESA continues to hold this position. As a result, we welcome the CAISO's modifications in the DFP; these matters are already addressed in RA contracts and the development of CAISO mechanisms is unwarranted. This being said, there seems to be a fundamental disagreement regarding the role of RC and IR within the RA construct that merits clarification.

CESA is of the opinion that the RC product is a necessary material enhancement to the current Residual Unit Commitment (RUC) process. Today, the interplay of RA and RUC requires RA resources to submit \$0 bids in RUC, resulting in inefficient dispatch that affects ratepayers and hinders California's environmental goals. The establishment of RC will mitigate these issues. As a result, RC is an enhanced RUC product. IR, on the other hand, is completely new and unrelated to anything that currently exists in the RA framework. IR is by no means a part of RA, nor is it an "RA successor" product and the DFP should reflect such a clarification.

**8. Please provide your organization's comments on the proposed WEIM Governing Body Role, as described in Section 7:**

CESA offers no comment at this time.

**9. Please provide any additional comments on the Day-Ahead Market Enhancements (DAME) Draft Final Proposal and the December 7, 2022 stakeholder call discussion:**

CESA offers no comment at this time.