

January Monthly Meeting

Thad LeVar

Bonnie Lamond

Woori Lee

Teleconference

January 13, 2023

Agenda

- **Welcome Remarks and Announcements** – *BOSR Chair LeVar*
- **POU Sector Liaison Update** – *Tony Braun and Mary Wiencke*
- **Proposed BOSR Comments to WEIM Governing Body on EDAM Initiative**
 - EDAM RSE
 - Transmission Availability
 - Governance
- **Next Steps**

POU Sector Update

Tony Braun

President, Braun Blaising Smith Wynne PCC
Consumer-Owned Utility Sector

Mary Wiencke

Executive Director, Public Generating Pool
Public-Owned Utility Sector

EDAM RSE

Potential BOSR Comments

Woori Lee

Wholesale Electricity Markets Analyst

EDAM RSE

Purpose

- The BOSR contends EDAM RSE is an important component for a robust day-ahead market.
 - The RSE functions as a minimum qualification for a BA to participate in the EDAM to build trust and confidence regardless of each BA's resource adequacy and reliability standards.
 - The RSE should achieve the following goals:
 - 1) The entire EDAM footprint should be operated reliably.
 - 2) Any insufficiency in one BA or more BAs is contained within the BA and is not spread to the other BAs who have sufficient supply.
 - 3) All participants are treated equally and contribute a fair share of the market.
 - 4) The RSE encourages participation in the EDAM by building trust amongst participants.
 - With greater trust, more entities are willing to participate in the EDAM and thus gain the diversity benefits of the market.

- The BOSR supports the CAISO's proposed three-tiered administrative surcharge for RSE failure consequences.
 - The three-tiered approach achieves the following objectives:
 - 1) The proposed *financial*, rather than physical, consequences are beneficial for the entire footprint by allowing BAs to utilize the diversity benefits of the market.
 - 2) The penalty for failures should be costlier than what the BA can procure for the insufficiency in the bilateral market.
 - 3) The penalty should not be overly punitive in cases where the failure does not cause reliability issues in the footprint.
 - The penalty should not harm participants who failed for a negligible amount of insufficiency or forecast errors, which may disincentivize the participation of the market.
- The BOSR also supports the collective RSE test amongst the EDAM entities in the real-time timeframe.

Further Recommendations

- The BOSR encourages CAISO to consider the following recommendations as it continues to refine the EDAM in the future.
 - As organized day-ahead markets advance in the West, the liquidity of day-ahead bilateral market may be reduced, and the hub price may no longer serve as a reasonable reference price for RSE failures. Consequently, CAISO should periodically assess day-ahead bilateral market liquidity and revisit the penalty price, if needed.
 - As the CAISO implements imbalance reserve (IR) products in the day-ahead market and gains experience with the EDAM RSE test, it should monitor the threshold of the three tiers and calibrate the penalty levels, if needed.

EDAM Transmission Availability Potential BOSR Comments

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Wholesale Electricity Markets Analyst

EDAM Transmission Availability Objectives

- **The BOSR supports the proposed design for transmission availability in the EDAM.**
 - Transmission in the EDAM is imperative to operate grid reliably and achieve the economics of the market.
 - The proposed framework for how transmission customers exercise their transmission rights in the EDAM can achieve following goals:
 - 1) Maximize transmission availability in the EDAM;
 - 2) Prevent market power exercise;
 - 3) Encourage market efficiency and reduce operating costs.

3 Buckets and Pathways

CAISO Proposal

- **The BOSR supports the buckets framework for transmission availability in the EDAM.**
 - The proposed 3 buckets framework has been accepted by stakeholders throughout the development of the proposal.
 - The BOSR believes that the framework is useful to distinguish transmission based on how it's provided and utilized in the market.
- **The BOSR supports proposed “three pathways” construct under Bucket 2 as it maximizes transmission made available in the EDAM.**
 - By making all transmission available in the market, a BA would not be able to withhold its transmission.
 - Pathway 3 provides transmission customers with flexibility comparable to the option available under their OATTs.

Historical Cost Recovery

CAISO Proposal

- **The BOSR supports the proposed framework that provides historical transmission revenue recovery through EDAM as a means of incentivizing greater transmission in the market.**
 - The BOSR acknowledges the possibility of transmission rights holders foregoing short-term firm and non-firm transmission revenues by deciding to participate in the EDAM.
 - Before the market matures and the benefits of the market are identified, these foregone revenues should be recovered through the market so as not to harm transmission providers and incentivize participation in the EDAM.

Further Recommendations

- **The BOSR contends that there should be a standardized assessment of the EDAM recoverable revenues calculated by each entity.**
 - Each EDAM Entity likely has different accounting methods; therefore, the credibility of the “EDAM recoverable transmission revenues” for each component needs to be verified.
 - Regular monitoring and reporting of the calculation is necessary.
- **The BOSR encourages CIASO to consider an eventual phaseout of the historical transmission revenue recovery.**
 - As the market matures and the benefits of the EDAM are realized, the need for foregone transmission revenue recovery as an incentive to participation may diminish.

EDAM Governance

Potential BOSR Comments

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Program Manager – Wholesale Electricity Markets

Joint Authority

- **The BOSR supports the GRC's proposed joint authority definition.**
 - The proposed definition seeks to achieve clarity and objectivity in determining which market rules fall within joint authority and which do not.
 - Furthermore, to alleviate any doubt that the definition may cover any balancing authority-specific measures, the BOSR supports the GRC's additional footnote after the joint authority definition:

“...the joint authority definition...does not include measures, such as parameters or constraints, the ISO may use to ensure reliable operation within its balancing authority area.”

Advisory Authority

- **The BOSR supports the GRC's advisory authority definition as well as the proposed enhancements made to the process advisory process.**
 - The BOSR maintains its support of expanding the scope of advisory authority to include day-ahead market rules.
 - The BOSR supports the procedural enhancements.
 - The BOSR contends the enhancements will complement the WEIM Governing Body's oversight of rules that fall under joint authority with an appropriate forum to address critical issues that may affect EDAM Entities but fall outside joint authority.
 - These enhancements to the WEIM Governing Body's advisory role will enable greater transparency and the necessary dialogue amongst the two governing bodies on issues that the CAISO Board of Governors may not otherwise be aware exist.

CAISO Bylaws

- **The BOSR supports the GRC’s proposed changes to the language set forth in the CAISO bylaws.**
 - The BOSR agrees that the Corporation has the obligation to *weigh* the interests of all stakeholders within the footprint of the markets that it administers, including the Corporation’s balancing authority area, EDAM balancing authority areas and WEIM balancing authority areas.
 - The BOSR contends this is a reasonable request to better align the regional nature of the system operator.
- **The BOSR supports striking the following language the GRC included in previous iterations of the proposal:**

~~“Amend the Bylaws to add same obligation for individual members of the Board of Governors.”~~

Timing and Implementation

Proposed BOSR Comments

- **The BOSR supports the GRC's proposal that the governance changes should become effective once FERC has conclusively accepted the CAISO's section 205 filing for EDAM market design.**
 - The BOSR contends this timeline is acceptable as it will give future EDAM entities the necessary level of certainty from FERC to sign implementation agreements to join the EDAM.

Next Steps

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Program Manager – Wholesale Electricity Markets

Next Steps

Date	Topic
January 16, 2023	BOSR staff to circulate EDAM comments to BOSR members
January 24, 2023	BOSR comments to Governing Body
January 31, 2023	WEIM Governing Body meeting
February 1, 2023	ISO Board and WEIM Governing Body decision

Upcoming Meetings

BOSR Monthly Meeting

Friday, February 10, 2023 at 10:00 AM MDT / 9:00 AM PDT

Spring 2023 WEIM Body of State Regulators Meeting

Wednesday, April 12, 2023 at 9:00 AM - 11:30 AM PDT

Hyatt Regency Lake Tahoe Resort, Incline Village, Nevada

Hotel and meeting information will be posted on the BOSR meeting page