

**Comments of Powerex Corp. on  
Extended Day-Ahead Market  
Draft Final Proposal**

Submitted by	Company	Date Submitted
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Powerex submits the following comments on the CAISO’s October 31, 2022 Extended Day-Ahead Market Draft Final Proposal (“Draft Final Proposal”) and the discussion at the associated public workshops in this initiative.

The development of formal programs to unlock the large potential benefits of coordination across multi-state geographic footprints is critical to achieving a transition to a lower-carbon grid while maintaining reliability and keeping electricity affordable for ratepayers. Multiple such programs are moving forward, including the Western Resource Adequacy Program (WRAP) focused on the forward planning timeframe, as well as the EDAM/EIM and Markets+ organized market platforms focused on the day-ahead and real-time timeframes.

Powerex has actively participated in the EDAM stakeholder process for several years, as well as in the Markets+ development effort. Powerex recently [announced](#) its decision to participate in Markets+ (and several additional entities have committed to fund the detailed development of that market). At the same time, there are other entities that continue to focus on EDAM/EIM. While CAISO and SPP may each seek to emerge as “the” predominant organized market for much of the west, Powerex sees a future in which both Markets+ and EDAM/EIM each exist with a significant number of participants, with most of those entities also participating in WRAP. Powerex fully supports this evolution for the west, as it believes every entity in the west must have the ability to choose the day-ahead and real-time organized market platform that provides the governance, market design, and resource mix (generation, transmission and load diversity) that is most beneficial to them and their ratepayers.

Powerex’s comments reflect its perspective as an entity that will not participate in EDAM, but will continue to procure transmission service and transact with entities that may become EDAM participants. In particular:

- Powerex has invested in Firm OATT rights on numerous transmission service providers’ (TSP) systems in the west—including some TSPs that may elect to participate in EDAM—and seeks to ensure its ability to continue to use these Firm OATT rights to deliver supply under forward arrangements, including where such forward commitments are used by others to meet their WRAP forward showing obligations.
- Powerex will continue to enter into arrangements to receive energy from other entities—including entities that may elect to participate in EDAM—and seeks to ensure that those entities will continue to be able to identify and use their physical capacity and OATT transmission service to support those commitments in the operational timeframe, ahead of any other uses. This is particularly important to Powerex as it relates to the WRAP

operational program obligations of those EDAM participants that are also in WRAP (*i.e.*, to deliver on WRAP holdback obligations to Powerex and other non-EDAM WRAP participants).

Powerex is concerned that the Draft Final Proposal includes design elements that would unnecessarily interfere with the above activities, harming non-participants such as Powerex.

*As WRAP, Markets+ and EDAM/EIM continue to move forward, it will be important that each of these regionalization efforts be designed to carefully maintain the value of firm transmission service under the OATT framework. To achieve this, firm transmission customers must continue to have the ability to use their rights efficiently and effectively for the activities, programs, and markets of their choosing, consistent with the principles of open access and transmission reciprocity.*

## **EDAM Must Not Create A New Transmission Blockade On Other Western TSP Systems**

The Draft Final Proposal takes a highly aggressive approach to making transmission capability of EDAM entities available to support EDAM transfers. The initial concept of EDAM was specifically designed to utilize only Firm transmission service ***that was either unsold by the TSP or that was affirmatively made available by the Firm transmission rights-holder***. The Draft Final Proposal goes far beyond this initial concept, to also include transmission capability already committed as Firm OATT rights, and where the customer has not voluntarily made that capacity available to EDAM, if the customer has not submitted a self-schedule to use those rights by 10 a.m. of the day prior to delivery (*i.e.*, “unscheduled Firm” capability). Although the Draft Final Proposal leaves open the possibility that the Firm transmission customer could still be permitted to self-schedule on their Firm rights after this new day-ahead scheduling deadline, it describes that use as a “late exercise” of those rights, that will only be allowed “if practicable”, and will be subject to congestion and other charges in EDAM or the EIM. This means that transmission customers that invest in Firm OATT rights of a TSP that participates in EDAM will either face an outright prohibition on using their rights outside of EDAM after 10 a.m. of the day prior, or will be exposed to new and uncertain financial charges for doing so.

This is highly problematic, and amounts to a dramatic claw back of the OATT firm rights that were sold, as there is no proposed framework for a transmission customer to “opt out” and choose to hold its Firm rights outside of EDAM. These new restrictions and/or financial charges will directly interfere with the ability of a transmission customer to rely on its Firm OATT rights to:

1. Serve its own load through real-time;
2. Satisfy its forward commitments to others (that entail deliveries scheduled in real-time), including forward sales used to meet WRAP forward showing obligations;
3. Engage in real-time bilateral trading activities;
4. Meet WRAP operational program delivery obligations through real-time;
5. Deliver variable quantities, such as for the output of wind facilities, outside of the EDAM footprint; and

6. Support participation in Markets+ (through the set aside of firm rights as Markets+ “ETSRs” on non-participating transmission service providers systems, similar to how the Western EIM has achieved the connectivity of its footprint using firm rights on non-participating transmission providers systems).

The Draft Final Proposal appears specifically designed to maximize the transmission capability available to EDAM by:

1. Enabling EDAM to use transmission capacity that has already been sold to other customers, but that has not been voluntarily provided by such customers to EDAM; and
2. Clawing back the ability of transmission customers to rely on their Firm OATT rights for deliveries outside of EDAM after 10 a.m. on the day prior.

As stated above, Powerex is fully supportive of EDAM and other organized markets developing and growing in the west, but that growth is properly achieved by making EDAM’s governance and market design more attractive to a critical mass than the alternative, not by depriving entities of any other choice through EDAM rules that can effectively be described as a real-time “blockade” on Firm transmission use outside of EDAM.

### **All TSPs Should Provide A Mechanism For Transmission Customers That Intend To Use Firm OATT Rights Outside Of EDAM**

Powerex anticipates that the likely outcome of the proposed EDAM transmission approach will be that customers that hold OATT rights on transmission systems participating in EDAM will still use these rights for all of their intended purposes, including WRAP and Markets+ participation, but they will now need to schedule the use of their rights prior to the 10 a.m. day-ahead deadline, as inflexible hourly “blocks”. This will result in transmission use that is inflexible and less efficient than if delivery schedules were shaped to the needs of the destination market or program. And if this is the framework that results in the west from EDAM’s transmission approach, it is not inconceivable that transmission rights of TSPs that participate in Markets+ may face similarly inefficient scheduling restrictions to being used in EDAM. The net result is that a substantial amount of transmission capability across the west will be scheduled inefficiently and will be unavailable to be optimized by either EDAM or Markets+. This will also greatly erode the value of Firm transmission service, ultimately reducing third party investments in OATT transmission service providers systems, and shifting transmission costs onto native load customers.

A more efficient outcome would be for TSPs to ensure that their Firm transmission customers have the full ability to elect to use those OATT rights to connect to their desired markets. Bonneville has been the standard-bearer for this supportive approach. Long before Bonneville decided to participate in the Western EIM, it dedicated significant technical and staff resources to work closely with transmission customers that held Firm OATT rights on Bonneville’s system and that sought to use those rights to enable EIM participation. This reflects Bonneville’s commitment to maintaining the value proposition of investing in Bonneville Firm transmission service, which means enabling transmission customers to determine how best to utilize those transmission rights.

Powerex believes a workable approach to enabling efficient optimization of transmission capability and supporting incentives for continued investment in OATT transmission service would

be for all TSPs to allow rights-holders to elect to have their rights remain “out” of the organized market platform that the respective TSP has elected to participate in, in order to enable the customer’s participation in a different organized market or operational program, such as WRAP. Reasonable limitations may be appropriate regarding how frequently this election can be changed, and on the type and duration of transmission rights able to make this election. For instance, the election may be available only on long-term Firm rights, and may be required to be made for one year at a time. This framework should also be reciprocal; that is, TSPs that join EDAM will provide their rights-holders the ability to set aside OATT rights to support participation in Markets+, while TSPs that join Markets+ will provide their rights-holders the ability to set aside OATT rights to support participation in EDAM. The desirable result of such an approach would be to increase the ability of both organized markets to optimize transmission capability, and to make transmission rights equally able to support customers’ participation in either organized market.

### **EDAM Must Enable EDAM Participants To Designate Supply And OATT Transmission In Support Of Commitments With Higher Priority Than EDAM Transfers**

From the outset it has been acknowledged that EDAM is not a resource adequacy program, will not enforce a common resource adequacy requirement, and will not change the resource planning responsibilities and arrangements of each entity. EDAM may therefore include entities that are very differently situated, from a resource adequacy perspective. While it would be reasonable to assume that a majority of external EDAM participants will be participating in WRAP, any evaluation of the Draft Final Proposal must be grounded in the clear recognition that the largest participant in EDAM—the CAISO BAA—may very well continue to be short several thousand megawatts during critical hours, and will be needing to obtain supply from other EDAM participants to fill this deficit<sup>1</sup>.

Unfortunately, the current EDAM design does not overcome this fundamental resource adequacy challenge. Rather than provide incentives for all participants to address their capacity needs in the forward timeframe, the EDAM Resource Sufficiency Evaluation (RSE) expressly permits entities that are short of sufficient capacity to financially “cure” their deficiency. This “pay your way out” approach does nothing to resolve the CAISO BAA’s physical shortfall and will necessarily result in less physical supply being made available to the EDAM footprint relative to a framework that actually ensures each entity is resource sufficient in advance. Simply put, the CAISO BAA’s chronic resource deficit will be a drain on the supply resources of other EDAM participants, as it has been in the Western EIM.

Given the CAISO BAA’s resource adequacy challenges, the expectation that EDAM transfers are curtailed pro-rata with an entity’s own load, and that participation in EDAM is likely to include WRAP members that have obligations to entities that are not EDAM participants, this raises a

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<sup>1</sup> California’s RA program has a long history of leaving the CAISO BAA significantly short of the real physical resources needed to reliably serve load during critical hours. CAISO as well as the CPUC have repeatedly projected that the CAISO BAA has a supply deficit of 5,000 MW or more. The resource shortfall resulting from the significant gaps in California’s RA program are a large part of the reason why the CAISO BAA routinely requires imports from the Western EIM to maintain reliability, and has entered energy emergencies on numerous occasions even while receiving thousands of megawatts of supply from the rest of the EIM.

critical question: what mechanism will enable an EDAM participant to ensure that the supply and OATT transmission it is required to make available under the WRAP operational program remains available to be exported outside the EDAM footprint, and is not used instead to support transfers to (deficient) entities within EDAM?

A clear mechanism is necessary for EDAM participants to set aside the additional supply and OATT transmission to fulfill their obligations under the WRAP Operation Program, otherwise those commitments will have the same priority as EDAM transfers to entities that are not WRAP participants (including the CAISO BAA).

The Draft Final Proposal appears to lack a clear mechanism to ensure that EDAM participants can set aside the additional supply and OATT transmission to fulfill their obligations under the WRAP operation program. In particular, it is unclear how an EDAM participant could “set aside” supply and OATT transmission to meet its WRAP Operational Program holdback requirement. By failing to provide a clear and robust mechanism for entities that participate in EDAM to satisfy their obligations to WRAP, the Draft Final Proposal interferes with entities’ ability to credibly participate in WRAP, potentially undermining the ability of that program to fully realize capacity diversity savings for ratepayers in the west.

To be clear, Powerex has no objection to a WRAP member participating in EDAM and electing for its own load to have the same priority as transfer to other EDAM entities, including the CAISO BAA. But Powerex strenuously objects to the erosion of that entity’s commitments to WRAP members that do not participate in EDAM. Quite simply, such commitments must have *higher priority* than EDAM transfers, with such delivery obligations remaining intact during conditions when EDAM transfers are curtailed, including when this results in pro-rata EDAM load curtailments.

There is no need for EDAM to be designed in a manner that prevents entities from meeting their commitments and obligations under WRAP. In prior working groups and stakeholder meetings, Powerex and other stakeholders have described a mechanism through which each EDAM participant can designate identified supply resources and high-quality OATT transmission that supports high priority commitments to other BAAs, including BAAs outside the EDAM footprint. This supply and transmission can be fully “carved out” of EDAM altogether, with the market operating as if the supply and transmission were not available in the optimization. A potential alternative would be to enable EDAM to optimize the supply and transmission, but assign the very highest priority to the designated load being served by those arrangements in the event there is either insufficient aggregate supply or transmission capability to meet that commitment as well as demand in the EDAM footprint.