

**Comments of Powerex Corp. on  
Day Ahead Market Enhancements  
Draft Revised Final Proposal**

Submitted by	Company	Date Submitted
Connor Curson 604.891.6028	Powerex Corp.	April 24, 2023

Powerex submits the following comments on the CAISO’s April 6, 2023 Day-Ahead Market Enhancements Draft Revised Final Proposal (“Proposal”), the April 19 Addendum, and the associated public meetings and workshops.

CAISO staff have clearly laid out the need for improvements to the Day-Ahead Market to ensure the safe and reliable operation of the grid in real-time, support more efficient price formation, and reduce the need for the large and growing manual operator interventions that continue to distort outcomes and undermine transparency. While Powerex believes that the CAISO’s recent DAME proposals fall well short of the comprehensive enhancements necessary to fully address these challenges, Powerex has nevertheless been generally supportive of the CAISO defining and procuring several new day-ahead products as an incremental improvement over the *status quo*.

A significant element of the CAISO’s Proposal was to define the conditions under which Imbalance Reserve products would not be fully procured. The April 6 Proposal specified the use of a hybrid approach for the CAISO BAA, consisting of a demand curve and a high penalty price. This hybrid proposal was explained in the April 6 Proposal and discussed with stakeholders at the April 7 workshop. On April 19—the day prior to the original deadline for comments on the Proposal—the CAISO published an Addendum that scrapped the hybrid approach. In its place, the Addendum appears to propose applying a blanket \$55/MW price as both an offer cap and penalty price for procuring Imbalance Reserve.

The Addendum does not provide justification for the change; it only alludes to “stakeholder feedback” and asserts, without supporting analysis, that the hybrid proposal “could lead to high prices that exceed the operational benefit of the product.” The Addendum’s explanation is also unclear, stating both that “the avoidance cost of imbalance reserves will be set to \$247/MWh” but also that “no steps of the demand curve will exceed the administrative ceiling of \$55/MWh for the imbalance reserve product.” The CAISO has not provided any opportunity for stakeholders to ask questions on the Addendum’s new proposal, let alone to evaluate and provide feedback on the substance of the proposal.

Beyond Powerex's concerns with the specific changes in the Addendum, the CAISO's unilateral and last-minute re-design of a significant aspect of the DAME Proposal highlights the challenges with its approach to stakeholder engagement. For over five years, stakeholders have dedicated extensive staff resources to evaluating DAME proposals, suggesting modifications, and collaborating on technical analysis. Despite that stakeholder effort, CAISO staff retain exclusive and unilateral discretion to determine which views will be reflected in the final proposal. Powerex believes that inclusive and representative governance in the context of a multi-state day-ahead and real-time organized market requires stakeholders have a more meaningful role in making the key market design and policy decisions that are brought forward to the EIM Governing Body and the CAISO Board of Governors for approval.