



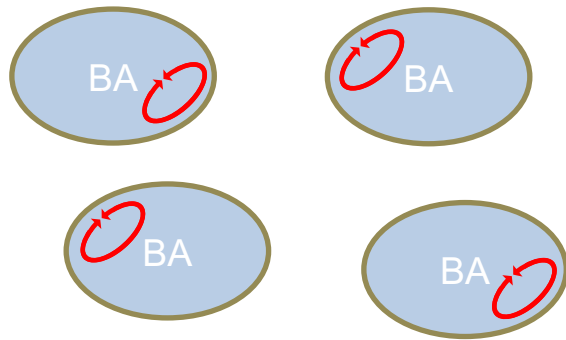
Regional Electricity Markets Update

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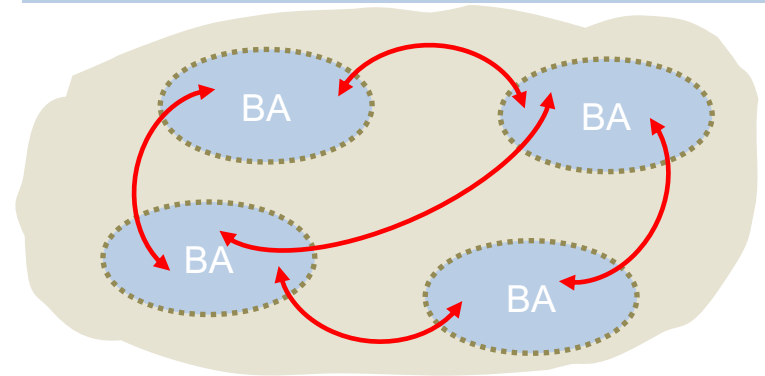
Economic benefits result from regional optimization of bids and transfer capability between areas

Prior to energy imbalance market:
Each balancing area must balance loads and resources w/in its borders.



- Limited pool of balancing resources
- Inflexibility
- High levels of reserves
- Economic inefficiencies
- Increased costs to integrate wind/solar

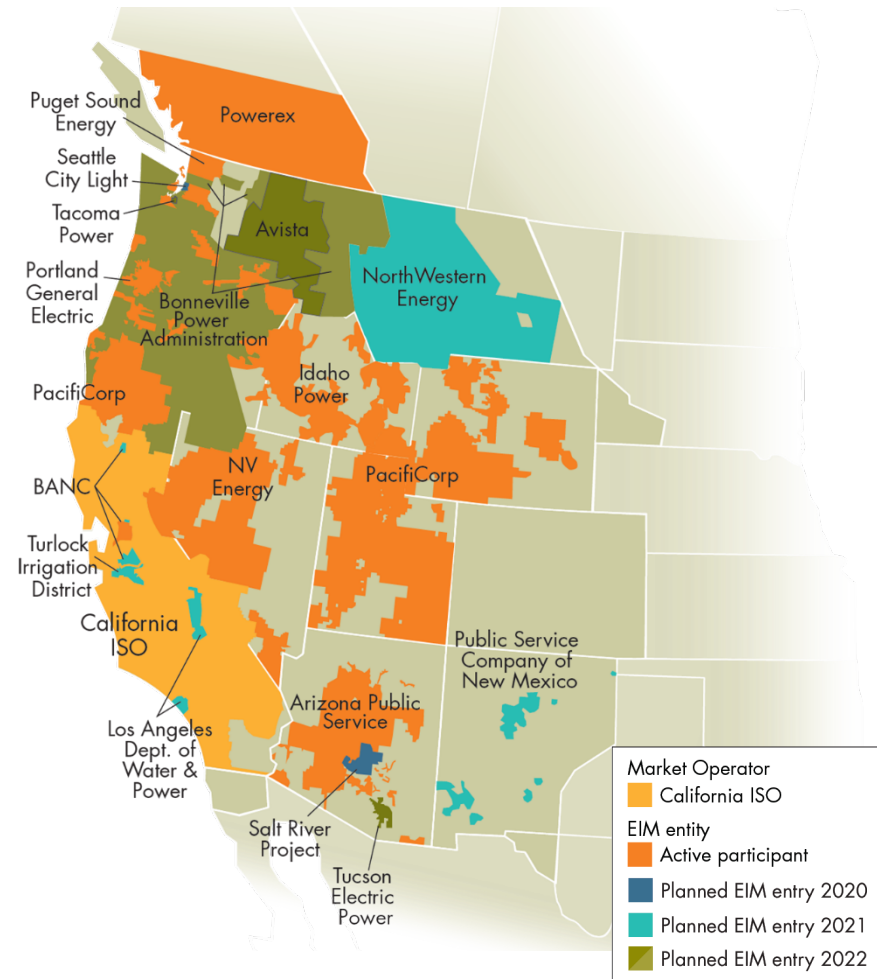
In a regional market:
The market dispatches resources across balancing areas to balance energy



- Diversity of balancing resources
- Increased flexibility
- Decreased flexible reserves
- More economically efficient
- Decreased integration costs
- Independent market monitoring

The Western Energy Imbalance Market

- Automated dispatch minimizes cost, facilitates renewables, resolves imbalance, avoids congestion
- Situational awareness enhances reliability
- Easily scalable, low-cost, low risk, no exit fees
- Harmonizes with bilateral trading and regional reserve sharing groups
- Preserves BAA autonomy, including compliance, balancing and reserve obligations



Extending DAM to EIM Entities provides additional regional benefits

- Key benefits:
 - Allows EIM participants to benefit from day-ahead market enhancements
 - Day-ahead unit commitment and scheduling across larger footprint improves market efficiency and more effectively integrates renewables
- Key principles:
 - Each balancing authority retains reliability responsibilities
 - States maintain control over integrated resource planning
 - Resource adequacy procurement decisions remain with local regulatory authority
 - Transmission planning and investment decisions remain with each balancing authority and local regulatory authority
 - Voluntary market, like EIM

Published issue paper on October 10 to extend day-ahead market to EIM Entities

- Transmission provision for Day-Ahead Market
 - Transmission cost recovery
- Day-ahead resource sufficiency evaluation
 - Provide functionality to enable entities to trade capacity for resource sufficiency tests
- Mechanism to distribute congestion revenues
- Full network model enhancements
- Day-ahead greenhouse gas attribution for states with carbon cost policies
- Governance to account for larger market scope