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Filer:	Marissa Mercado
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**BEFORE THE ENERGY COMMISSION
OF THE STATE OF CALIFORNIA**

2024 Integrated Energy Policy Report
Update (2024 IEPR Update)

24-IEPR-01

I. Introduction

The California Independent System Operator Corporation (ISO) respectfully submits these comments on the January 24, 2025 *Integrated Energy Policy Report (IEPR) Commissioner Workshop on Regional Electricity Markets and Coordination*. The ISO appreciates the California Energy Commission (Energy Commission) hosting this workshop and inviting the ISO to participate.

The ISO appreciates the leadership of the Energy Commission, California Public Utilities Commission and regulators throughout the West in advancing the discussion on regional electricity markets. The ISO also appreciates continued engagement from representatives across the electricity industry, including investor-owned utilities, community choice aggregators, public power entities, industrial consumers, power marketing administrations, independent power producers, labor, consumer advocates, environmental advocates, and academia, in helping to preserve and advance the value of regional market coordination.

The ISO continues to provide technical assistance to the Pathways Initiative and stands ready to assist California regulators and the California Legislature as needed. As regional market discussions progress in California and the broader West, the ISO remains focused on continued administration of the Western Energy Imbalance Market (WEIM) and implementation of an Extended Day-Ahead Market (EDAM) to further enhance reliability, affordability, and environmental sustainability for electricity customers across the West.

II. Comments

The ISO appreciates The Brattle Group's (Brattle) presentation on its Preliminary Day-Ahead Market Impacts Study. Brattle's work plays an important role in measuring benefits

of an expanded day-ahead market footprint for California consumers. The ISO's comments focus on Brattle's "Split Market Case," which assesses benefits to California consumers. This scenario splits likely EDAM entities and likely Markets+ entities into two separate markets with "relatively efficient seams" between markets,¹ and it models several current WEIM entities as part of Markets+. Brattle assumes a cost associated with transacting across the two separate markets.

As the WEIM footprint has progressively grown since 2014, the ISO calculates WEIM benefits on a quarterly basis. Based on its experience, the ISO provides considerations for future iterations of the Split Market Case.. The ISO notes that under this study scenario, the size of the WEIM footprint reduces significantly from 82% of Western Electricity Coordinating Council (WECC) load today to 48% of WECC load under the Split Market Case. The Split Market Case represents a WEIM footprint similar in size to the WEIM footprint in 2017. Additionally, the study scenario optimizes the two markets (EDAM and Markets+)independently in real-time. Based on the ISO's experience, significant WEIM benefits, and ultimately consumer savings, result from an ability to optimize market transactions seamlessly across a broader market footprint in real-time, on an intra-hour basis, every 5 and 15 minutes.

The WEIM enables real-time, intra-hour, automated co-optimization of resources and transmission to serve demand across WEIM balancing areas. The Split Market Case significantly reduces the current WEIM footprint and creates a seam between markets. Brattle's use of a simplified cost to represent frictions between market seams underrepresents the actual challenges of transacting between a market seam. For example, market operators would have to manage intra-hour imbalances using a more limited set of resources and transmission, compared to what would be available for a market operator to optimize under a wider WEIM footprint. Furthermore, there is limited ability to transact bilaterally within an operating hour. As such, the incremental benefits to California consumers under the "Baseline" case (approved EDAM commitments) and "Baseline+" case (likely EDAM commitments) compared to the Split Market Case are understated because the Split Market Case does not fully capture reductions in California consumer benefits

¹ Brattle, *Preliminary Day-Ahead Market Impacts Study*, January 21, 2025, Slide 5: <https://efiling.energy.ca.gov/GetDocument.aspx?tn=261300&DocumentContentId=97632>.

resulting from reducing the size of the current WEIM footprint. For perspective, annual WEIM benefits grew significantly for California between 2017 (when WEIM covered 48% of total WECC load) and 2024 (where WEIM now covers 82% of total WECC load). In 2017, annual WEIM benefits for California totaled \$37 million, growing to \$437 million in 2024.²

The ISO suggests that future iterations of Brattle’s “Split Market Case” better account for challenges associated with transacting across a seam between two distinct markets as well as the loss of benefits to California consumers associated with a significantly reduced WEIM footprint.

Respectfully submitted,
By: /s/ Marissa Mercado
Roger E. Collanton
General Counsel
William H. Weaver
Assistant General Counsel
Marissa Mercado
Counsel
California Independent System
Operator Corporation
250 Outcropping Way
Folsom, CA 95630
Tel: 916-963-0521
Fax: 916-608-7222
Email: mmercado@caiso.com

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² See all ISO WEIM Benefits Reports here:
<https://www.westerneim.com/Pages/About/QuarterlyBenefits.aspx>.

ISO, *WEIM Benefits Report – Fourth Quarter 2024*, January 30, 2025:
<https://www.westerneim.com/Documents/iso-western-energy-imbalance-market-benefits-report-q4-2024.pdf>.

ISO, *WEIM Benefits Report – Fourth Quarter 2017*, January 30, 2018:
https://www.westerneim.com/Documents/ISO-EIMBenefitsReportQ4_2017.pdf.