Briefing on 2018 Policy Initiatives Roadmap and Annual Plan

Greg Cook
Director, Market and Infrastructure Policy

EIM Governing Body Meeting
General Session
January 23, 2018
The ISO previously committed to revising the policy initiatives catalog and roadmap process

Key Changes

- **Catalog**
  - Catalog updated in February and August
  - Created stakeholder submission template for new initiative requests

- **Policy Roadmap and Annual Plan**
  - Retired initiative ranking
  - Publish three-year policy roadmap and annual plan
2018 Policy Initiatives Roadmap process

- *Policy Initiatives Catalog process* updates descriptions, categorization and status of all identified policy initiatives.

- *Final Policy Initiatives Catalog* published on December 7

- **2018 Policy Initiatives Roadmap process**
  - Draft three-year roadmap and annual plan posted December 7
  - Final roadmap and annual plan posted January 12, 2018
  - Roadmap briefing to EIM Governing Body on January 23
  - Roadmap briefing to ISO Board of Governors on February 15
  - Post final roadmap following ISO Board Meeting
Primary drivers of proposed three-year roadmap

- Recent grid operations challenges pointing to need for
day-ahead market enhancements to better manage net
load curve in real time

- Extending day-ahead market enhancements to other EIM
balancing areas provides regional benefits

- Increasing risk of retirement leading to increase in RMR
driving need to reform the RA program

- Continuing efforts to lower barriers to DER market
participation and addressing transmission-distribution
interface coordination in line with DER growth
Day-ahead market enhancements address net load curve and uncertainty previously left to real-time market

- **15-minute scheduling granularity**
  - Ensures day-ahead market commits resources with sufficient ramping capability

- **Day-ahead flexible reserve product**
  - Compensates resources for must-offer obligation in real-time market to address net load uncertainty

- **Combined Integrated Forward Market and Residual Unit Commitment**
  - Increase efficiency by simultaneously clearing bid in demand and balancing area net load forecast

- **Full network model phase 2**
  - Improved modeling of intertie transaction sources/sinks
Extending DAM to EIM Entities provides additional regional benefits

• Key benefits:
  – Allows EIM participants to take advantage of 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
Scope of stakeholder initiative to extend day-ahead market to EIM Entities

• Align transmission access charge (TAC) paradigms
  – Ensure EIM Entities recover transmission costs consistent with existing bilateral transmission framework
  – Consistent billing determinants across day-ahead market footprint for market efficiency

• Distribution of congestion rents collected through day-ahead market
  – Similar to ISO congestion revenue rights allocation to those that pay for transmission

• Day-ahead resource sufficiency evaluation
  – Ensure balancing areas not leaning on others for capacity, flexibility or transmission
Scope of stakeholder initiative to extend day-ahead market to EIM Entities (continued)

- Provide for capacity trading (transferring bid range)
  - Facilitate monthly/daily/hourly bilateral transactions across expanded day-ahead market footprint
  - Used to help meet resource sufficiency evaluation using resources outside a balancing area

- Day-ahead GHG attribution
  - Extend EIM real-time market approach to day-ahead
Three-year Policy Roadmap of Major New Initiatives

2018 DAM
- DAM enhancements
- Extend DAM to EIM Entities
  - CRR auction enhancements
    - Process; Annual
  - Frequency response products/improvements
    - Monthly; Annual

2019 RTM
- RTM enhancements
- Refinements to 2018/2019 Enhancements

2020 Refinements
- Smaller stakeholder driven initiatives

Evolve ISO Markets
- FRACMOO 2
- RA enhancements (Track 1)
- ESDER 3
- ISO/UDC DER coordination
- High-DER regulatory framework
- Assess the need for further High – DER development

Enhance Resource Adequacy

Shape Electric Sector Decentralization
- RA Enhancements (Track 2)

Reliability Coordination
- RC Services
### 2018 Annual Plan

<table>
<thead>
<tr>
<th></th>
<th>Jan-Mar</th>
<th>Apr-Jun</th>
<th>Jul-Sep</th>
<th>Oct-Dec</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ESDER 3</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>FRACMoo 2</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Interconnection Process Enhancements 2018</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>RA Enhancements (Track 1 and Track 2)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>RC Services</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Storage as a Transmission Facility</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Review RMR and CPM Revisions</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>CCDEBE</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>EIM GHG Enhancements</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>CRR Auction Efficiency</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Imbalance Conformance</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Intertie Deviation Settlement</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>EIM Offer Rules</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Review TAC</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>DAM Enhancements</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- **Major New Initiatives**
- **Current Initiatives**
- **Additional New Initiatives**

*EIM DEB Option and RT Resource Sufficiency*

**Workshop**