



## ***Addendum to May 10, 2023 Memorandum***

**To:** ISO Board of Governors and Western Energy Imbalance Market Governing Body

**From:** Anna McKenna, Vice President of Market Policy and Performance  
Joanne Serina, Vice President Stakeholder Engagement & Customer Experience

**Date:** May 15, 2023

**Re:** **Enhanced stakeholder engagement process to validate, establish and modify configurable parameters of the day-ahead market enhancements**

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### **EXECUTIVE SUMMARY**

In this addendum to Management's May 10, 2023 memorandum, we describe the comprehensive new stakeholder process the ISO will employ for the day-ahead market enhancement (DAME) initiative. This includes how this process will leverage several of its existing stakeholder forums and processes to provide added oversight and governance of changes to parameters and ongoing evaluation of performance results as the DAME product is implemented, tested and evaluated.

A new "implementation working group" will be established to provide stakeholders a mechanism through which they can provide input on the scope of the testing, scenarios and cases to be validated through the implementation phase. In addition, stakeholders will be invited to participate in the efforts of analysis, evaluation and validation of the results. Management anticipates the parameters will be specified in the tariff and/or the business practice manuals and that this new enhanced implementation stakeholder process will ensure the parameters that will apply at the final implementation of the day-ahead market enhancements are fully vetted with stakeholders and consistent with the policy as approved by the Board of Governors and Governing Body. Management will provide informational briefings to the Board of Governors and the Governing Body on this process, and will ensure that any changes to the policy specified in the Memorandum to the Board of Governors and Governing Body dated May 10, 2023 will be brought back for approval prior to implementation.

## **BACKGROUND**

In January of this year, Management extended the DAME policy development an additional 4 months in response to stakeholder concerns that more time was needed to facilitate additional discussion regarding key design elements and foster a deeper understanding of the imbalance reserve product.

The additional 4 months allowed for additional stakeholder proposals to be presented and provided more time for robust discussions of key design elements with stakeholders. As a result, the DAME final proposal represents further refinements and more design flexibility which has been shaped by additional stakeholder feedback.

As we seek approval for the final DAME proposal, stakeholders indicated that extending the policy development further is desired to continue to vet outstanding design elements and evaluate the flexible tuning parameters that have since been incorporated into the design. Given the interdependency with the EDAM initiative and the fact that further vetting of design elements will require software prototyping and evaluation of scenario results, Management is augmenting its current implementation framework rather than extending the policy development. A new “Implementation Working Group” will be established to ensure robust stakeholder engagement throughout the implementation phase. Management will also leverage several of its existing stakeholder forums and processes to provide added oversight and governance of changes to parameters and the ongoing evaluation of performance results as the DAME product is implemented, tested and evaluated.

## **IMPLEMENTATION WORKING GROUP**

The ISO will establish a DAME Implementation Working Group that will be open and accessible to all stakeholders who wish to participate along with ISO staff, policy leads and subject matter experts. The working group sessions will be managed by Account Managers from within the Stakeholder Engagement and Customer Experience division and will be conducted throughout the pre-market simulation phase as well as during and after the market simulation phase. Stakeholders will be able to participate in the following activities:

- Prior to market simulation, define and develop market scenarios that would provide data sets for validation which would be executed during the market simulation
- Review and assess results of executed scenarios during the market simulation
- Provide feedback and observations of scenario results from the market simulation
- Make recommendations on parameter changes and refinements based on data driven results from the market simulation

- Participate and provide input to the Market Surveillance Committee review of the process and results

Through this working group stakeholders will also have the opportunity to provide direct input in the decision making of various parameter settings informed by the analysis and validation process since the settings of the parameters may have different implications for the market outcomes. Those elements that can influence market outcomes will be vetted through the working group. Management has described the parameters at play in the Flexible Parameter Matrix posted on May 1, 2023, that can be accessed at:

<http://www.caiso.com/InitiativeDocuments/FlexibleParameterMatrix-Day-AheadMarketEnhancements.pdf>.

## **DECISION AND OVERSIGHT OF PARAMETER CHANGES**

Stakeholders have expressed the need for governance and oversight of changes to the DAME tunable parameters as defined in the DAME Flexible Parameter Matrix. To address stakeholder concerns regarding change management of these parameters, the ISO will leverage its current ISO stakeholder processes for Tariff revisions and/or the Business Practice Manual (BPM) Proposed Revision Request (PRR) process. Any changes that are proposed by either ISO staff or stakeholders would be evaluated and approved through the oversight of either the Tariff or BPM PRR processes - whichever is applicable. Through the upcoming Tariff development process, stakeholders will also be able to comment on whether the parameters are appropriately placed in the Tariff or in the BPM alone (note that all parameters in the tariff will also be repeated in the BPMs).

## **DATA ASSESSMENT AND EVALUATION OF PERFORMANCE RESULTS**

Management will also provide transparency of data results so that stakeholders can monitor and evaluate performance throughout the testing and validation process as well as any changes post implementation.

During the testing and validation process pre-launch and post implementation, Management will leverage several existing forums and processes for the ongoing evaluation of parameter performance and where proposed parameter changes and tuning would be discussed and vetted.

- Market Performance and Planning Forum (MPPF) – will provide a vehicle for periodic review of parameter performance and of the imbalance reserve product on an ongoing basis. It will provide a forum for stakeholders to assess and discuss results and observations.
- Tailored analysis reports based on the ongoing assessment of the market performance
- Market Surveillance Committee (MSC) – will provide an assessment and opinion of performance results on a periodic basis.

- Department of Market Monitoring (DMM) – will monitor performance results on a periodic basis.

New reports will be developed and available via the ISO's website so that performance and market results are transparent and available to all stakeholders for continuous monitoring and evaluation.

## **SUMMARY**

Management and staff are committed to ensuring that stakeholders have access to an open and transparent implementation of the DAME product through continuous stakeholder engagement as the DAME product is undergoing development. Management believes that robust stakeholder engagement is needed as the product evolves through the implementation and market simulation prior to final product launch which will ultimately lead to a better market product and outcome.