



## SNR Extended Day Ahead Market Customer Meeting Thursday, July 11, 2024

### Minutes Notes and Q&A

#### Arun Sethi, WAPA

Today we are continuing our discussions and will provide an update on WAPA's consideration of participating in EDAM. In the previous meeting, we restarted the informal stakeholder process by providing overview of EDAM and specific topics, including critical items to be addressed, timeline, budget situation, and decision process. Today we will discuss in detail two of the most important topics in EDAM – Inter-SC trades and RA Provision.

#### Tong Wu, WAPA

- Inter-SC Trades (IST) is the first important topic because the IST will enable WAPA to participate in the EDAM. The IST allows WAPA to transfer power to customers since we cannot transfer money directly.
- Currently, CVP generation is provided to customers through imports to the ISO. Under EDAM, CVP generation will be bid into EDAM by WAPA and WAPA will receive payment from the ISO directly.
- WAPA will transfer energy to preference customers by IST at the CVP Trading Hub, which the CAISO will create. The price of the CVP Trading Hub will be the weighted average of the hourly LMPs at the three CVP generation aggregates with the weights being the EDAM schedules.
- Examples are provided to illustrate the importance of submitting inter-SC trades correctly.
- An important item for customer consideration and feedback is the process if the day-ahead inter SC trade is rejected by the ISO and hour-ahead IST is used as the fallback. Included are some examples to illustrate the potential consequences of this fallback and how to address it.

#### Inter-SC Trade Example – Slide 5

- This slide illustrates BANC within the bubble and ISO outside and includes an example of CVP Trading Hub pricing. There are 3 generation aggregates – Shasta, Folsom, NM. At this trading hub, the WEIM SCID will schedule a withdrawal IST and the customer/counterparty will schedule an injection IST. The settlement mechanism is that the ISO will charge a withdrawal IST and pay an injection IST.
  - This example lays out the assumptions for the following examples:
  - Base Resource Allocation to Customers
  - EDAM Awards and LMPs of the CVP generators
  - CVP Trading Hub Price

#### Inter-SC Trade Example (Success) – Slide 6

- This example details the generation revenue netting to zero. WAPA is therefore neutral and is a normal example where all the Inter-SC trades are accepted.

#### Q&A:

- **Nilesh Khatri, WAPA:** Does it matter if a customer is in the BA or ISO for Base Resource?
- **Tong Wu, WAPA:** No, they are all traded at the same trading hub.



- **Joy Li, WAPA:** Why does it only show WEIM? And how is this example different from what WAPA does today?
- **Tong Wu, WAPA:** WEIM is the only known SCID; you may consider Load A and Load B as other SCIDs in this hypothetical case. The difference is that today we do not have ISTs in BANC.
- **Amy Burrow, Modesto Irrigation District:** If you are a Direct Connect Customer, would you be taking Base Resource as an IST, or would it be scheduled directly to their system?
- **Tong Wu, WAPA:** From the financial market point of view, a Direct Connect Customer will schedule an IST with WAPA and both parties' ISTs will be settled through the EDAM. This is because WAPA will bid the whole amount of available CVP generation under EDAM into the EDAM market, and WAPA will be paid by the ISO for the whole amount. Whereas today under EIM, WAPA schedules the Base Resource into the ISO but is not paid by the ISO; the Base Resource portion is scheduled to you prior to EDAM.
- **Nilesh Khatri, WAPA:** Will it be tagged like the current process inside the sub-BA?
- **Tong Wu, WAPA:** WAPA hasn't decided on that yet and it depends on WAPA Operations. This is for BANC operations only and doesn't have anything to do with the EDAM market.
- **Arun Sethi, WAPA:** To clarify Amy's question, Direct Connect Customer's will also do ISTs under EDAM to get paid.
- **Tong Wu, WAPA:** The EDAM process does not recognize the Base Resource contract outside of the market. WAPA and customers have Base Resource contracts where WAPA provides power to the customers and EDAM does not recognize that. This requires settling outside of the market and Reclamation law does not allow it. IST is the mechanism to allow us to settle through the EDAM.

#### Inter-SC Trade Example (Failure) – Slide 7

- This is an example where a party failed to submit a matching IST and the ISO considers the IST failed. ISTs are not part of the market, do not impact the dispatch of the market, and settle afterwards. In this case, this settlement transaction would not go through.
- In this example, Load B does not get paid because it did not go through the IST and WAPA cannot pay the customer the \$240 outside of the market. That is a problem to be addressed, as the net difference will end up being included in the Power Revenue Requirement.

#### Inter-SC Trade Example, Fallback Options 1 and 2 – Hour Ahead Results – Slides 8 & 9

- Two examples are provided for using the hour-ahead market as a fallback if there is an IST failure. The hour-ahead market affords a mechanism to correct failed/missed IST by either WAPA or a customer.
- These examples detail scenarios in which resubmitted ISTs have a price difference between the hour-ahead and day-ahead market, both resulting in the net going to the Power Revenue Requirement.

#### Q&A:

- **Kelly Campbell, City of Redding:** With Inter-SC trades, will high-voltage wheeling charges be included in the IST?
- **Tong Wu, WAPA:** No, IST's do not include transmission access charges and is an aftermarket settlement mechanism.
- **Arun Sethi, WAPA:** The deadline for submitting an IST is 11am and day-ahead is 10 am. Is



there a mechanism to see if WAPA or customer has not submitted an IST and correct prior to the day ahead market? This is being discussed due to it being a critical issue for implementation.

- **Tong Wu, WAPA:** Yes, WAPA will need to develop the process to include what is expected of each party and how it will be communicated. Automated, email, calls?
- **Robert Delizo, WAPA:** We can start entering ISTs as soon as we have the schedules, coordinate with counterparties, and follow up if they have not submitted or not match certain hours to resolve prior to 11am.
- **Tong Wu, WAPA:** From CAISO SIBR, we can see whether it's matched and who the counterparty is. WAPA will set up guidelines and deadlines with checkpoints to check again and again. Updates occurring in EIM is the last resort since it will create imbalance.
- **Cori Bradley, PWRPA:** With Displacement, the trades are not matched and there are IST charges. If the cost allocation is not matched, can they (ISO) charge the customer of a missed situation (IST)?
- **Tong Wu, WAPA:** My understanding of the Displacement Program is that it is a program among the customers settled with each other and is not a settlement with WAPA. For EDAM, it is WAPA settling with customers. Reclamation Law, according to our legal counsel, does not allow WAPA to use CVP generation payments from the ISO to pay customers, as the payments must be remitted to the Reclamation Fund. WAPA can give customers power through the ISTs.

#### Resource Adequacy (RA) – Slide 10

- This is the second critical topic, and it most likely provides the greatest benefit out of EDAM. It requires WAPA and customer coordination.
- The goal today is to layout the Resource Adequacy timeline and identify gaps. WAPA cannot provide RA for the entire amounts of BR because of the uncertainty of CVP generation forecast.
- We expect CVP generation to be treated as Use Limited Resources and Conditionally Available Resource if WAPA joins EDAM. This provides flexibility in meeting RA obligations.
- Further development is needed to determine the exact method to coordinate multiple timelines and create a business process.
  - Items for consideration – 3 timelines:
  - Maximum Import Capability Allocation Timeline
  - RA Submission Timeline
  - Reclamation Generation Forecast Timeline

#### Q&A:

- **Lena Perkins, City of Palo Alto:** The RA forecast is undergoing a major revamp this fall, correct?
- **Robert Delizo, WAPA:** What is going to be implemented this fall is the 5-year outlook, but for the 12-month rolling forecasts, WAPA is working on certain improvements such as the examples here and the information we're using from Reclamation.
- **Arun Sethi, WAPA:** If WAPA joins EDAM, WAPA will have to work with the customers to implement all of this by 2026 to start on 6/1/2026 and determine the allocations. Prior to that, WAPA will determine the implementation process, as this is at a high level to



emphasize important benefits.

- **Lena Perkins, City of Palo Alto:** How will this work for Direct Connect Customers that have Resource Sufficiency? It is the ISO customers that go through the RA process.
- **Tong Wu, WAPA:** We are not aware of any BANC-wide RA standard, and it will be up to each LSE to determine its own process. WAPA is an LRA and has our own standards. SMUD, City of Redding and others may have their own programs.
- **Lena Perkins, City of Palo Alto:** In the big picture during early discussions for the ISO customers, would it be possible for some of the more robust and flexible generators to not be a use-limited resource? In a dry year, you don't have to generate and can put your bid with high price to reflect its limited use and may provide more RA.
- **Tong Wu, WAPA:** This will depend on Reclamations Operation Procedure. Currently if a bid is submitted, it expresses willingness to generate at a certain price. If the ISO needs it, the generation will get dispatched. The likelihood is low with a high price bid, but Reclamation will need to be prepared for the possibility of being dispatched.
- **Arun Sethi, WAPA:** We have discussed two critical EDAM topics and implementation issues. WAPA will continue to work with customers to develop processes for how they will submit ISTs and line up RA.

#### EDAM OATT Process

- **Cory Danson, WAPA:** The EDAM OATT process will be a public process and similar to EIM. The process is ongoing and WAPA is working with BANC and SMUD discussing changes in business practices. We reviewed the PacifiCorp OATT redline business process; however, they will not be the EDAM entity and things will be a lot different for WAPA. WAPA's plan is to make an EDAM attachment to the OATT, similar to the EIM. There remain some outstanding final pieces needed from other entities OATT's yet to be released, which is why we haven't had an update until now.
- **Arun Sethi, WAPA:** Once we develop the timeline, will we have a separate meeting for the OATT process, or will it be part of this?
- **Cory Danson, WAPA:** Either/or because it will involve all transmission customers.

#### EDAM Implementation Cost Estimate – Slide 20

- **Arun Sethi, WAPA:** When we met last, we discussed the budget situation and some of the challenges.
- An additional budget item is WAPA may need a SCADA EMS module for EDAM.
- In this summary of the WAPA and BANC estimates, the labor hours will be expensed over the entire implementation period and do not represent annual costs.
- **Kevin Howard, NCPA:** Are those BANC costs that will be allocated to WAPA? And the total estimate is \$2.75m? Are some of these costs going to be paid anyway since they are staff?
- **Arun Sethi, WAPA:** Yes, that is WAPA's share of the BANC implementation cost as there is some software upgrades, etc. These estimates are just looking at EDAM implementation, as a lot of processes are already in place after EIM, as that was the first time WAPA was going into any market. Most of the labor is already on board, though there may be some additional needed. The labor will be capitalized, and the labor hours have already been accounted and budgeted for and will be charged as the hours are worked.
- **Robert Delizo, WAPA:** If there's any cost to Reclamation, will it be included?



- **Arun Sethi, WAPA:** Reclamation costs are not included here. May be someone from Reclamation speak to that?
- **Tom Ashley, Reclamation:** Cary Fox is not on the call and an answer to the question or identified cost was not prepared for this. We will get back to you.
- **Arun Sethi, WAPA:** WAPA is considering the benefits of with using some unused capital funds from this fiscal year to procure the OATI base model which won't have any impact on the PRR. Are there any serious concerns from customers with WAPA moving forward with procuring the software model and considering participation in EDAM?
- **Kevin Howard, NCPA:** One comment: From NCPA we do not have serious concerns about moving forward; however, we have some questions related to our own scheduling and interaction with WAPA and Base Resource. We'll reach out directly to set a follow up with WAPA staff to work through details and answer questions.
- **Arun Sethi, WAPA:** Yes, we will work directly with each customer and answer any questions. This will be similar to the EIM process, even after the decision is made, coordination with customers will continue to address any implementation issues. WAPA anticipates a similar process moving forward because there will be lot of implementation issues to work through. EIM was 5-15% of the market, but EDAM is 85-95% of the market. This will have a huge change on our processes for Direct Connect Customers and Non-Direct Connect Customers.

#### Next EDAM Meeting is Wednesday, July 31, 2024

- Please plan to bring additional topics to discuss in each meeting. If any topics cause concern or have issue, please reach out so we can address in this forum and ensure all critical topics are discussed, such as IST and RA today.
- **Jim Shetler, BANC:** Do you have any sense on what the topics will be for the next two meetings that need customer feedback?
- **Arun Sethi, WAPA- Future topics for discussion:**
  - Potential settlements and day-ahead issues, if any
  - Critical topic – how to treat Trinity PUD.
  - CVP allocation now that WAPA will have more capacity products,
  - Flexible imbalances reserve up and down – how will that coordinate with WAPA's CVP allocation?
  - Imbalance reserve as part of the Resource Sufficiency evaluation.
  - Max peaking and other internal programs.
  - Proposed solutions for mismatches and failed ISTs as recommended by legal.
- **Tong Wu, WAPA:** WAPA will need customer input on the Displacement Program on whether it will be updated or suspended.
- **Tong Wu, WAPA:** BANC needs to discuss Resource Sufficiency (RS) allocation among the BANC members and WAPA, and whether there would be any coordination. Such discussion is relevant to CVP allocation under EDAM because imbalance reserve up/down are part of the RS Evaluation.
- **Lena Perkins, City of Palo Alto:** Displacement overall is small and is a second-tier issue that we can have conversations in the future.
- **Kevin Howard, NCPA:** Agreed, we have time to talk about and better to know more about how EDAM is going to work and answer critical questions first.



- **Jim Shetler, BANC:** It is also helpful to understand what WAPA feels they need to have between now and making a decision. What do you need in the next 6 weeks to make a decision?
- **Arun Sethi, WAPA:** CVP allocation and TPUD treatment are the other issues to be worked through prior to a decision. Other topics can be addressed during implementation.