

## California Department of Water Resources State Water Project Comments On Stepped Constraint Parameters Issue Paper

May 27, 2016

On May 5, 2016, CAISO posted an issue paper on Stepped Constraint Parameters. On May 12, 2016, CAISO hosted a web conference with stakeholders to discuss the issues on the Stepped Constraint Parameters. California Department of Water Resources State Water Project (CDWR) appreciates the opportunity to submit comments on the Stepped Constraint Parameters issue paper.

### 1. Transmission Constraint Scheduling Parameter

CDWR supports CAISO's effort to reduce the amount of RTCO and reach more economic market solutions, but believes CAISO should be cautious with such changes. A higher value for this parameter was shown to cause more re-dispatches for addressing congestion and an increase to Real-Time Congestion Offset (RTCO). When CAISO lowered this constraint in May 2013, RTCO decreased from \$190 million to \$120 million.

CDWR believes further reductions to this parameter require more testing by using different market conditions and seasons including different hydrologic or stressed conditions. New market changes being implemented by the CAISO, such as the Flexible Ramping Product slated for fall 2016, may affect the results of changing this and other parameters and could lead to less desirable results than previous changes. A range of steps closer to the bid cap could be tested, such as \$1250.

### 2. Lowering Shift factor effectiveness threshold

As mentioned during the stakeholder call, it is insufficient for CAISO to use data from one day to demonstrate that lowering the threshold from 2.0% down to 0.1% is successful. As noted above, additional data using periods under varying seasons and conditions needs to be analyzed. The data may suggest seasonal parameter sets should be developed and utilized. Also, the CAISO's suggestion to reduce this threshold to near zero begins to question whether the effectiveness threshold is effective or could be eliminated.

### 3. Power balance constraint pricing parameter

Similar comment to Item 1 above, more data and testing is needed.

### 4. EIM transfer limit under failed resource sufficiency

Relying on the existing settlement methodology for over/under scheduling penalties without proper consideration of CAISO's cost allocation guiding principles and application of the primary tenant of cost causation would only be prudent if the magnitude of future charges were infinitesimal relative to the cost of implementing a balanced cost allocation methodology.

### 5. Lowering the bid floor

The CAISO's prior adjustment that lowered the bid floor from -\$30 to -\$150 did not increase real-time economic bidding that CAISO desired from VERs. The CAISO's proposal to lower the bid floor further, to -\$1000, because it provides a more "elegant" symmetry does not provide an appropriate reason. Through the recent preliminary studies conducted by the CAISO consultants in support of Senate Bill 350 requirements, the cost of production for renewables has been shown not to be lower than -\$40 with incentives included. Without further evidence, a symmetrical bid cap and floor is unnecessary and the bid floor should remain at -\$150 to prevent possible negative impacts to the market.

It is possible that incorporating steps to the existing bid floor may be justified with further analysis, such as \$500/-50 and \$750/-150.