

CALIFORNIA ISO
Mitigation for Exceptional Dispatch in LMPM Enhancements Phase 2 Issue Paper and Straw
Proposal, July 27, 2012.

COMMENTS OF THE STAFF OF THE CALIFORNIA PUBLIC UTILITIES COMMISSION
ON THE ISSUE PAPER AND STRAW PROPOSAL

AUGUST 3, 2012

Background :

Exceptional Dispatches are a manual process through which CAISO meets system reliability requirement that cannot be resolved through their market software. Through this initiative CAISO seeks to modify the method for mitigation for Exceptional Dispatch in the Real Time market with the implementation of Phase 2 of the Local Market Power Mitigation (LMPM) enhancements.

Software enhancements scheduled for market release in spring of 2013 CAISO will introduce —Dynamic Competitive Path Assessment (DCPA), which is an automated approach to mitigate local market power (non-competitive constraint) within the market dispatch. The existing approach for determining when to apply mitigation to Exceptional Dispatch that were made to manage a non-competitive constraint relies on the existence of a list of competitive and non-competitive constraints issued by DMM on a static periodic basis. With the new enhanced software the static method will not be available so CAISO needs to determine a way to mitigate Exceptional Dispatch ('out of market dispatch'). The software enhancements cannot identify non-competitive circumstances because Exceptional Dispatch has taken care of a possible congestion that could have potentially created a localized market power in Real Time Unit Commitment (RTUC) market in anticipation of reliability.

CAISO is proposing a new set of path designations or scenarios based on the DCPA analysis that will be used to mitigate resources Exceptionally Dispatched which are deemed to have market power (regardless if they exercise the market power). These path designations are based on limits for both the frequency of observed congestion as well as the frequency with which the constraint is deemed non-competitive.

Exceptional Dispatch is subject to mitigation under three circumstances:

1. Manage a non-competitive constraint,
2. Make available stranded Ancillary Services that were procured in the day ahead, and
3. Make available stranded RUC Availability that was procured in the day ahead.

When an exceptional dispatch is made for any of these three reasons, the price applied to the calculated Exceptional Dispatch Energy (EDE) is mitigated to higher of the resource's Default Energy Bid (DEB) or the Locational Marginal Price (LMP).

CPUC Staff Comments:

The Staff of the California Public Utilities Commission (CPUC Staff) appreciates this opportunity to comment on the California ISO's (CAISO), July 27, 2012, Mitigation for Exceptional Dispatch in LMPM Enhancements Phase 2 Issue Paper and Straw Proposal. CPUC recognizes the importance of resolving the issue at hand.

1. CAISO's straw proposal presented on July 27, 2012 does not sufficiently explain how they determined the threshold levels used for determining whether Exceptional Dispatches (ExD) receive a non-competitive path designation. For instance, CAISO does not sufficiently substantiate why they chose a 10 hours binding congestion and a 75 percent competitive threshold during the trailing 60 days. CPUC requests CAISO to show and explain why the data reasonably supports using these values.
2. Staff is concerned that the new DCPA will not be able to evaluate competitiveness adequately within 15 minute intervals due to its complexity and as a result rely excessively on this new LMPM process. CPUC Staff encourages the CAISO to share the statistics and information showing how often the DCPA is expected to fail during real time market runs. This information should show how often the resources will be subjected to the new ExD mitigation process.
3. CPUC Staff is concerned that these out of model designations may not have the adequate precision built in resulting in over or under mitigation causing false market signals that bias LMPs over the long-run. Therefore, Staff recommends the CAISO develop performance metrics to be vetted in the stakeholder process, with which the CAISO gauges performance of established thresholds (e.g., 10 hours of binding congestion, and 75% competitive) and respond quickly to mitigate problems.
4. Does CAISO anticipate an impact on in market prices as a result of the proposed methodology?

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