

## Discretionary Initiatives High Level Ranking Template

Submitted by	Company	Date Submitted
Carrie Thompson <a href="mailto:cathompson@anaheim.net">cathompson@anaheim.net</a> 714-765-4131	City of Anaheim	November 22, 2013

### Instructions

Please use this template to rank your top five discretionary market design initiatives.

1. Select five market design initiatives<sup>1</sup> from the November 5, 2013 version of the Stakeholder Initiatives Catalog.
2. Provide the name of the initiative.
3. In the “High Level Prioritization Criteria Matrix” provide a score of 0, 3, 7, or 10 for each of the four criteria in green boxes.
4. Provide a total tally of your score for each initiative.
5. Below the matrix, provide detailed explanations for each criterion using as much space as you need. Providing a rationale for the ranking and considering these initiatives over others is critical to this ranking process. Since dollar and resource estimates are understandably approximate at this level, the qualitative discussion will be given more emphasis. Similarly, the numerical rankings are informative and may help to organize discussion but the qualitative information will be critical for the ISO as we compare initiatives.

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<sup>1</sup> Infrastructure and planning initiatives will not be ranked as they are considered separately and there are only two discretionary initiatives.

## Discretionary Initiatives High Level Ranking Template

### Anaheim's Initiative 1: Real-Time Congestion Uplift Cost Allocation and Review of Convergence Bidding Uplift Allocation (Catalog Items 8.4 and 8.5 Combined)

High Level Prioritization Criteria Matrix

		Criteria	HIGH	MEDIUM	LOW	NONE	Your Score
			10	7	3	0	Use 0, 3, 7, or 10
A	Benefit	Grid Reliability	Significant Improvement	Moderate Improvement	Minimal Improvement	No Improvement	7
B		Improving Overall Market Efficiency	Significant improvement	Moderate improvement	Minimal improvement	No impact	10
C		Desired by Stakeholders	Universally desired by stakeholders	Desired by majority of stakeholders	Desired by a small subset of stakeholders	No apparent desire	X
D	Feasibility	Market Participant Implementation Impact (\$ and resources)	No Impact	Minimal Impact	Moderate Impact	Significant impact	7
E		ISO Implementation Impact (\$ and resources)	No Impact	Minimal Impact	Moderate Impact	Significant impact	7
						<b>Total</b>	<b>31</b>

**Introductory Comment:** Items 8.4 and 8.5 from the November 5, 2013 version of the Stakeholder Initiatives Catalog should be combined to establish a single initiative to reform the allocation of uplifts associated with real-time congestion and convergence bidding. At this time, all uplifts associated with real-time congestion and convergence bidding are allocated to Measured Demand. This allocation approach is inconsistent with the cost causation principle advocated for in the past by the Six Cities, which includes Anaheim, and therefore unreasonable.

Anaheim urges the ISO to meaningfully undertake a comprehensive review of existing cost allocation methodologies, and not delete Item 14.2 (Cost Allocation Overall Market Review) from the Stakeholder Initiative Catalog.

## Discretionary Initiatives High Level Ranking Template

**Grid Reliability** *(provide a detailed explanation of how and why this initiative provides an improvement in grid reliability) –*

Application of the cost causation principle will discourage the exercise of strategic and/or manipulative bidding strategies, thereby enhancing reliability.

**Improving Overall Market Efficiency** *(provide a detailed explanation of how and why this initiative provides an improvement in grid reliability) –*

The failure to allocate uplift costs to the market participants that either create the uplifts or benefit from actions that create the uplifts creates incentives for inefficient and/or manipulative activity and can distort price signals. Establishing a parallel initiative to implement allocation of uplift costs consistent with the cost causation principle will further contribute to market efficiency.

**Market Participant Implementation Impact (\$ and resources)** *(provide a detailed explanation of what you expect the impact to be in terms of \$ and resources) –*

Implementation impacts in terms of costs to Market Participants and the ISO should be minimal and far outweighed by the benefits of aligning cost allocation more closely with cost causation.

**ISO Implementation Impact (\$ and resources)** *(provide a detailed explanation of what you expect the impact to be in terms of \$ and resources) –*

See the discussion on Market Participant Implementation Impacts above.

## Discretionary Initiatives High Level Ranking Template

### Anaheim's Initiative 2: Mitigating Transient Price Spikes, Real-Time Imbalance Energy Offset (RTEIO)/Real-Time Congestion Offset (RTCO) (Catalog Item 4.12)

High Level Prioritization Criteria Matrix

		Criteria	HIGH	MEDIUM	LOW	NONE	Your Score
			10	7	3	0	Use 0, 3, 7, or 10
A	Benefit	Grid Reliability	Significant Improvement	Moderate Improvement	Minimal Improvement	No Improvement	7
B		Improving Overall Market Efficiency	Significant improvement	Moderate improvement	Minimal improvement	No impact	10
C		Desired by Stakeholders	Universally desired by stakeholders	Desired by majority of stakeholders	Desired by a small subset of stakeholders	No apparent desire	X
D	Feasibility	Market Participant Implementation Impact (\$ and resources)	No Impact	Minimal Impact	Moderate Impact	Significant impact	7
E		ISO Implementation Impact (\$ and resources)	No Impact	Minimal Impact	Moderate Impact	Significant impact	3
						<b>Total</b>	<b>27</b>

**Grid Reliability** (provide a detailed explanation of how and why this initiative provides an improvement in grid reliability) –

Grid reliability is an expected consequence of minimizing real-time price spikes, imbalance energy offset costs, and real-time congestion offset costs.

**Improving Overall Market Efficiency** (provide a detailed explanation of how and why this initiative provides an improvement in grid reliability) –

Implementing effective measures to minimize price spikes will result in substantial improvement in market efficiency. Correcting or minimizing real-time price spikes, will deter generators from coming on-line outside of dispatch instructions, thus minimizing imbalance energy offset costs, and real-time congestion offset costs.

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**Market Participant Implementation Impact (\$ and resources)** *(provide a detailed explanation of what you expect the impact to be in terms of \$ and resources) –*

Given the potentially broad but as yet undefined nature of measures that may be necessary and appropriate to mitigate real-time price spikes, imbalance energy offset costs, and real-time congestion cost offsets, it is reasonable to assume moderate commitment of market participant resources.

**ISO Implementation Impact (\$ and resources)** *(provide a detailed explanation of what you expect the impact to be in terms of \$ and resources) –*

Given the potentially broad but as yet undefined nature of measures that may be necessary and appropriate to mitigate real-time price spikes, imbalance energy offset costs, and real-time congestion cost offsets, it is reasonable to assume moderate commitment of ISO resources.

## Discretionary Initiatives High Level Ranking Template

### Anaheim's Initiative 3: Flexible Term Lengths of Long Term CRRs (Catalog Item 7.2)

High Level Prioritization Criteria Matrix

		Criteria	HIGH	MEDIUM	LOW	NONE	Your Score
			10	7	3	0	Use 0, 3, 7, or 10
A	Benefit	Grid Reliability	Significant Improvement	Moderate Improvement	Minimal Improvement	No Improvement	3
B		Improving Overall Market Efficiency	Significant improvement	Moderate improvement	Minimal improvement	No impact	7
C		Desired by Stakeholders	Universally desired by stakeholders	Desired by majority of stakeholders	Desired by a small subset of stakeholders	No apparent desire	X
D	Feasibility	Market Participant Implementation Impact (\$ and resources)	No Impact	Minimal Impact	Moderate Impact	Significant impact	10
E		ISO Implementation Impact (\$ and resources)	No Impact	Minimal Impact	Moderate Impact	Significant impact	7
						<b>Total</b>	<b>27</b>

**Grid Reliability** (provide a detailed explanation of how and why this initiative provides an improvement in grid reliability) –

The addition of flexible terms on Long Term CRRs will allow the CRR market participants to align their CRR portfolio with their resource portfolios which ultimately serve load. The benefit to this change would ensure that LSEs can continue to supply the necessary power to meet their load requirements and supply the grid with the necessary energy to meet the demand with a greater certainty. In addition, the enhancement would give added security to LSEs when committing to contracts which do not align with the 10-year requirement of the Long Term CRR market.

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**Improving Overall Market Efficiency** *(provide a detailed explanation of how and why this initiative provides an improvement in grid reliability) –*

Allowing flexible terms on Long Term CRRs will allow the CRR market to align closer with the actual power flows on the grid; this enhancement would allow LSEs to have adequate flexibility to match CRRs to long-term procurement arrangements which can be outside the 10-year CRR term length. The procedure to secure CRRs for new arrangements requires the market participant to first acquire annual CRRs which are then nominated as long-term CRRs. This is a burdensome process, the outcome of which is difficult to predict. In addition, there is a mismatch in the current market between the maximum Long Term CRR term of ten years and the typical length of a long-term procurement arrangement, which is often longer. As a result, the outer years of a procurement contract or devolved resource can remain unhedged until the ten-year CRRs are nominated for an additional term at the end of their term. This provides no guarantee of the results of the re-nomination.

**Market Participant Implementation Impact (\$ and resources)** *(provide a detailed explanation of what you expect the impact to be in terms of \$ and resources) –*

There could be a small increase in workload resulting from additional consideration when devolving a Long Term CRR nomination portfolio.

**ISO Implementation Impact (\$ and resources)** *(provide a detailed explanation of what you expect the impact to be in terms of \$ and resources) –*

Outside of software changes, a revised model run of the CRR market for the annual Simultaneous Feasibility Test (SFT) during the Long-term process should require minimal enhancements.

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### Anaheim's Initiative 4: Extend Look Ahead for Real Time Optimization (Catalog Item 4.8)

High Level Prioritization Criteria Matrix

		Criteria	HIGH	MEDIUM	LOW	NONE	Your Score
			10	7	3	0	Use 0, 3, 7, or 10
A	Benefit	Grid Reliability	Significant Improvement	Moderate Improvement	Minimal Improvement	No Improvement	7
B		Improving Overall Market Efficiency	Significant improvement	Moderate improvement	Minimal improvement	No impact	7
C		Desired by Stakeholders	Universally desired by stakeholders	Desired by majority of stakeholders	Desired by a small subset of stakeholders	No apparent desire	X
D	Feasibility	Market Participant Implementation Impact (\$ and resources)	No Impact	Minimal Impact	Moderate Impact	Significant impact	7
E		ISO Implementation Impact (\$ and resources)	No Impact	Minimal Impact	Moderate Impact	Significant impact	3
						<b>Total</b>	24

**Grid Reliability** (provide a detailed explanation of how and why this initiative provides an improvement in grid reliability) –

With a change to the RTM such as the Extended Look Ahead, the CAISO would have additional units available to meet measured and forecasted demand which could be cost effective, but are not considered due to the limitation of the RTM 5-hour look ahead. Allowing the RTM to consider additional units based on forecasted demand should improve overall liquidity in the markets allowing the CAISO to utilize additional resources to meet the needs of load.

**Improving Overall Market Efficiency** (provide a detailed explanation of how and why this initiative provides an improvement in grid reliability) –

Through increasing the supply available to the RTM, the CAISO could further optimize its dispatch in meeting measured demand throughout the day. This increased efficiency should

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ultimately lead to a more robust market and further stabilize RT prices potentially leading to a decrease in cost of serving load in the RTM.

**Market Participant Implementation Impact (\$ and resources)** *(provide a detailed explanation of what you expect the impact to be in terms of \$ and resources) –*

Minimal expected impacts

**ISO Implementation Impact (\$ and resources)** *(provide a detailed explanation of what you expect the impact to be in terms of \$ and resources) –*

Potentially moderate impacts on systems

## Discretionary Initiatives High Level Ranking Template

### Anaheim's Initiative 5: Mitigation of Transmission Cost Increases (Catalog Item 10.3)

High Level Prioritization Criteria Matrix

		Criteria	HIGH	MEDIUM	LOW	NONE	Your Score
			10	7	3	0	Use 0, 3, 7, or 10
A	Benefit	Grid Reliability	Significant Improvement	Moderate Improvement	Minimal Improvement	No Improvement	3
B		Improving Overall Market Efficiency	Significant improvement	Moderate improvement	Minimal improvement	No impact	7
C		Desired by Stakeholders	Universally desired by stakeholders	Desired by majority of stakeholders	Desired by a small subset of stakeholders	No apparent desire	X
D	Feasibility	Market Participant Implementation Impact (\$ and resources)	No Impact	Minimal Impact	Moderate Impact	Significant impact	7
E		ISO Implementation Impact (\$ and resources)	No Impact	Minimal Impact	Moderate Impact	Significant impact	3
						<b>Total</b>	20

**Grid Reliability** (*provide a detailed explanation of how and why this initiative provides an improvement in grid reliability*) –

Implementing measures designed to integrate cost-effective transmission investment should improve grid reliability by ensuring that optimal market mechanisms and the most cost-effective resources are considered for development and maintaining system reliability.

**Improving Overall Market Efficiency** (*provide a detailed explanation of how and why this initiative provides an improvement in grid reliability*) –

Failing to implement measures to mitigate unnecessary increases in transmission costs will distort resource development decisions, and may have a negative effect on market participation.

**Market Participant Implementation Impact (\$ and resources)** (*provide a detailed explanation of what you expect the impact to be in terms of \$ and resources*) –

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This initiative mainly deals with policy issues; however, could lead to proposed changes to market processes and may lead to modification of software applications. The impact to market participant resources is likely to be minimal.

**ISO Implementation Impact (\$ and resources)** *(provide a detailed explanation of what you expect the impact to be in terms of \$ and resources) –*

As described above, the ISO's impact of implementing this initiative is likely to be moderate.