

Comments on the Data Release Phase 3 Draft Final Proposal
Department of Market Monitoring
February 23, 2011

Summary

The Department of Market Monitoring (DMM) submits these comments on the ISO's February 17, 2011 Draft Final Proposal on Data Release. DMM supports the ISO proposal to release additional and more current information about the market model and related factors. DMM believes the release of this information may increase market efficiency by providing participants with better information upon which to base their market activities. While there is always the potential that under some scenarios such information could be leveraged in ways that subvert efficiency, DMM believes that on balance the release of this information will increase market efficiency. Moreover, this policy may be revisited if monitoring indicates release of this information is having any anti-competitive or detrimental impacts on market efficiency. Thus, DMM recommends that the ISO's policy explicitly allow release of these data to be suspended or delayed if any such concerns ever materialized.

Load Distribution Factors, Shift Factors, and Transmission Limits

The CAISO proposes to release the following data with a three day lag after the trade date:

- Day-ahead load distribution factors (LDFs),
- Day-ahead and real-time shift factors for binding constraints, and
- Transmission limits enforced in the day-ahead and real-time market.

DMM supports informational content and timing of this data release proposal. The ISO already releases the congestion revenue rights (CRR) model inputs to all participants for use in developing market scheduling and bidding strategies. DMM expects that many participants already use these model inputs with power flow and market models to develop characteristic LDFs and shift factors. Similarly, the ISO already posts information on transmission and generation outages that may impact transmission limits. Providing all participants with more accurate and current LDFs, shift factors and transmission limits will improve the efficiency of these models and other methods that may be used to make more informed decisions in the ISO markets and related bilateral market activities.

Providing the proposed information may also provide some participants the opportunity to execute strategies that are not consistent with improved market efficiency. However, the three day lag in availability will mitigate the ability to take advantage of short-term changes in these factors. For changes that may persist beyond the three day lag, the fact that this information will be available to all participants to use in formulating their strategy for spot market participation will help mitigate the opportunity to exploit changes. All participants are able to incorporate this information into their market strategy.

PG&E has expressed concern that releasing additional transmission availability and outage information could alert market participants to situations where they can exert market power without mitigation. This concern arises from the relatively static nature of how constraints are currently deemed to be either competitive or non-competitive for purposes of determining if local market power mitigation should be applied. Currently, competitive path assessment (CPA) studies are done every three months, with these determinations remaining static during each season. Transmission or generation de-rates or outages can cause the actual system topology and conditions to change from what was used in the

seasonal assessment. This could result in situation where a constraint is deemed to be competitive in the CPA study but is in fact uncompetitive under actual system conditions. This in turn could allow a market participant with local market power to go unmitigated through the local market power mitigation process. While the risk of this scenario exists today, PG&E has expressed concern that releasing additional transmission availability and outage information could alert market participants to situations where they can exert market power without mitigation.

DMM believes this concern can be mitigated several ways:

- First, DMM has the authority to update the CPA study at any point based on actual system conditions. While this is computationally burdensome, DMM is prepared to perform such analysis on an expedited basis if warranted due to an extended transmission or generation outage.
- Second, the ISO's information release policy may be revisited if monitoring indicates release of this information is having any anti-competitive or detrimental impacts on market efficiency. Thus, DMM recommends that the ISO's policy explicitly allow release of these data to be suspended or delayed if any such concerns ever materialized.

In addition, as noted by PG&E, the ISO is investigating a more dynamic CPA process that would assess constraint competitiveness based on near real-time conditions. DMM is hopeful such a process can be implemented within the next year or two. Until then, DMM believes it is reasonable to rely on the options described in the event that the scenario described by PG&E ever occurred.

Aggregated Generation Outages

The ISO also proposes to release generator outage data aggregated by trading hub (NP15, SP15, and ZP26) and general fuel source (thermal, hydro, and renewable) each morning covering a 30 day period beginning that trade date.

DMM does not object to the proposed release of aggregated generator outage data. The proposed regional aggregations will provide participants with information that may improve their ability to adjust their spot market exposure in the short run. This information is most beneficial in the short run since generator outage information extending beyond a few trade dates into the future can change considerably as the trade date approaches. In cases where suppliers attempt to leverage the outage information to exercise market power, the ISO has local market power mitigation in place that will address this.

Wind / Solar Output Forecast

The ISO is also proposing release of forecast data for wind and solar output prior to the day-ahead market (t+105 minutes), and actual hourly supply from these resources one day after the trade date aggregated by trading hub.

DMM supports the release of forecast and actual aggregate output data for wind and solar. The integration of variable energy renewable resources into the CAISO is anticipated to increase as the state moves closer to the 20 percent and 33 percent renewable goals. The shift in resource mix toward variable energy technologies over time will have an increasing impact on spot market outcomes. This information will provide all participants a tool for incorporating the anticipated market impact of variable energy resources into their own market strategies.

Congestion Revenue Rights Bids

The ISO also proposes to release CRR bid data 90 days after the applicable CRR auction has completed. The data released will not contain specific market participant information. This is consistent with the current practice for release of energy bid data. DMM does not oppose this aspect of the proposal.