

Dynergy Comments on CAISO Straw Proposal regarding
Ancillary Services Procurement in HASP and Dispatch Logic
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While the CAISO may find the current situation – in which neither in-state generating units, nor dynamic system resources, nor block-hour non-dynamic system resources are given awards in HASP – to be sub-optimal, the current situation at least, albeit accidentally, reflects good market design principles. In the current situation, flexible resources – in-state generating units and dynamic system resources – can participate in the 15-minute RTPD AS procurement, while block-hour non-dynamic resources cannot. This outcome reflects the reality that flexible in-state generating units and dynamic system resources provide a superior AS product which can be re-configured on a 15-minute basis rather than only on a 60-minute basis.

The “original” HASP AS procurement functionality that the CAISO now seeks to return to – allowing *only* non-dynamic system resources to participate in the 60-minute HASP AS market – is patently discriminatory. It provides a superior market outcome (binding *full-hour* AS awards) – only to an inferior product (less flexible AS from non-dynamic system resources). It unjustly denies that more desirable market outcome to resources fully capable of providing the very same block-hour AS product simply because those resources are more flexible and can be dispatched on a 15-minute basis, while non-dynamic system resources cannot.

Allowing in-state generating units and dynamic system resources to participate in the full-hour HASP AS market will increase competition in that market. Excluding those suppliers from that market because they are more flexible makes sense only if the 15-minute RTPD AS market would appropriately value the additional flexibility those resources provide the CAISO. However, inasmuch as any full-hour HASP AS procurement will almost certainly reduce the need for 15-minute AS in RTPD, excluding flexible resources from the full-hour HASP AS market is a double penalty: doing so not only unjustly eliminates the possibility that they can earn full-hour AS revenues in HASP, but HASP AS procurement reduces the revenues that such resources could earn in the 15-minute RTPD because HASP AS procurement will reduce the need for RTPD AS procurement.

Dynergy does not support restoring the “original” discriminatory HASP procurement. Dynergy supports the CAISO procuring full-hour AS in HASP only if it does so by implementing a full-hour AS market that allows all resources, including flexible in-state generating units and dynamic system resources, to participate in that full-hour market.