FERC Order 755 - pay for performance FAQ

The California ISO has organized a list of frequently asked questions for the pay for performance – regulation project.

Questions:

1) What are the bounds on the opportunity costs for regulation capacity? (PFPR-BRQ050, PFPR-BRQ051)
   a. None

2) Does the 250 $/MW cap include opportunity cost? (PFPR-BRQ050, PFPR-BRQ051)
   a. No

3) When will the business process for justification of opportunity costs be determined?
   Opportunity costs are allowed to vary hourly; therefore, justification of all submitted opportunity costs is a non-trivial process that needs to be discussed. (PFPR-BRQ050, PFPR-BRQ051)
   a. For opportunity costs outside of the ISO market optimization horizon, the resource must have approval from FERC if the opportunity cost requires the resource to bid above the bid cap. With the FERC approval of the opportunity costs, it will not be likely for this resource to be awarded regulation due to the high bid cost. Furthermore, it will be difficult to justify the real-time opportunity costs since we have a liquid regulation market and the market horizon is not 24 hours. Any opportunity cost that occurs within the ISO market optimization horizon will be included in the ASMP.

4) Are regulation bids subject to mitigation? (PFPR-BRQ153)
   a. No, AS bids are not subject to mitigation.

5) When a resource self-provides regulation capacity, can a mileage bid be submitted for that resource? If not, will the CAISO consider a 0 $/MWh mileage bid? (Day Ahead Process §6.1, §6.2, §6.3)
   a. A regulation mileage bid must be submitted for each regulation capacity bid, even if the latter is self-provision; otherwise, a $0/MW regulation mileage bid will be generated.

6) Please provide an example in which a resource is willing to self-provide a portion of its regulation capacity and bid the remaining. Can a mileage bid be submitted in this case?
How will the CAISO create the regulation and mileage bid functions? (Day Ahead Process §6.1, §6.2, §6.3)

a. Example:
   RU Capacity Bid: 10MW self-provision + 20MW @ $15/MW
   RU Mileage Bid (required): $5/MW
   FU = 1; RUMM = 2
   RU Capacity Bid Function (quantity vs. price): [(0, –M), (10, 15), (30, 15)]
   RU Mileage Bid Function (quantity vs. price): [(0, 0), (10, 5), (60, 5)]
   Where M is a penalty price.

7) Is the CAISO considering different ramp rates for regulation up & down? (PFPR-BRQ191)

   a. No

8) Will CAISO be using 4 second or 5 minute periods for calculating the Average Instructed Regulation Up/Down? (PFPR-BRQ169, PFPR-BRQ170,PFPR-BRQ171, PFPR-BRQ172)

   a. The period is configurable between 4sec and 5min inclusive. 4sec is the default, subject to tuning when historical data becomes available.

9) For MSG resources, is the bidding process allowed to be configuration specific? This seems to contradict our current understanding of the bidding process. (BRS 4.6.1 Business Requirements)

   a. AS bids for MSG are always configuration-specific.

10) How will a failure of the monthly Historic Regulation Performance Accuracy (HRPA) test be shown in the Master File? Will there be a trigger in SIBR? (BRS 4.1 Business Process: Manage Resource Performance Verification)

   a. Resource owner will be notified by CAISO if the HRPA fails the threshold.

11) In the event a resource fails the HRPA test, what will the effective date of revocation be? is it 90 calendar days or business days after the SC has received notification and no recertification has occurred? (PFPR-BRQ008, PFPR-BRQ009)

   a. 90 Days are calendar days. The effective date will be 90 days after the resource fails the HRPA test. Resource owners are expected to re-certify during these 90 days.

12) When a resource fails the 50% accuracy test, can it still participate in the regulation market during the 90-day grace period set for recertification. If the unit fails one month, how will CAISO treat a second failure the following month before the unit is recertified?
Will the clock restart at the second failure? Or will the initial failure date be maintained? If the recertification is done on day 91, will the flag be reset in Master File on the same day? (PFPR-BRQ003, PFPR-BRQ004)

a. The 90 day window allows for re-certification without disruption in the resources ability to bid regulation. The initial failure date is maintained until the resource can prove (re-certify) that it can provide regulation.

13) How will long planned outages for large thermal units be handled? It may be impossible to recertify the unit within 90 days. Will the clock be affected by a resource outage? Also, if a particular MSG configuration is lost, how will CAISO treat the outage? (BRS 4.1.1 Business Requirements)

a. The 90-day clock is not changed due to outages. The 90 day window allows for re-certification without disruption in the resources ability to bid regulation. If the resource has an outage, it can’t provide regulation and the resource should recertify as soon as the outage is over. Also, if a resource has accuracy between 60-50% it is more likely that the resource will elect to recertify before ever reaching the threshold, because its mileage payments are being significantly reduced. The regulation mileage accuracy is not configuration-specific; hence it is not affected by a configuration outage. Accuracy calculations use data only when the resource is regulating.

14) How will the ISO reconcile the telemetry values for resources providing regulation mileage against the unit’s actual settlement-quality revenue meter? Because telemetry is not settlement quality and will, in the end, be used to create financially binding payments, we feel that some reconciliation mechanism should be considered. (PFPR-BRQ145)

a. Regulation mileage payments cannot depend on settlement-quality revenue meter data because the latter lack the required 4 second granularity. Only telemetry may be used for that purpose. No reconciliation mechanism was discussed in the stakeholder process and none is in the scope of the project.

15) What if a unit constantly needs to recertify, will it need to change the ramp rate and its PMin, PMax? (PFPR-BRQ003, PFPR-BRQ004)

a. There are no changes to the regulation certification process.

16) What if the resource is providing both Up and Down, but is dispatched for Up only? The calculation of weekly average of Regulation Performance Accuracy then becomes an issue for figuring out regulation performance across the month. (PFPR-BRQ036, PFPR-BRQ037)
a. The last calculated regulation accuracy and regulation mileage multiplier will be retained until new data becomes available; the BRS will be updated to reflect this requirement.

17) Can a regulation SLIC outage indicate a reduction of regulation capacity (e.g., like a derate would)? (BRS 4.6.1 Business Requirements)

   a. No; it is all in or all out.

18) Please explain the price correction process. (PFPR-BRQ126)

   a. Pay for performance price corrections process will fall within the usual process of price corrections and become one more item to validate and correct, if applicable, as any other price.