

Comments of J.P. Morgan Ventures Energy Corporation

Subject: CAISO Revised Straw Proposal Modeling of Multi-Stage Generating Units

Submitted by	Company	Date Submitted
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Introduction

J.P. Morgan Ventures Energy Corporation (J.P. Morgan) appreciates the opportunity to comment on the CAISO's April 13, 2009 Revised Straw Proposal on Modeling Multi-Stage Generating Units (MSG). As stated in its previous comments on this matter, J.P. Morgan is party to a number of agreements that govern the operation and dispatch of resources that are subject to "Forbidden Region" and other operating constraints. J.P. Morgan therefore strongly supports the CAISO's efforts to develop and implement a Multi-State Generating Unit Modeling capability in its Market Redesign and Technology Upgrade (MRTU) software. As directed by the Federal Energy Regulatory Commission (FERC) in its January 30, 2009, order on the CAISO's proposal to defer implementing certain functionality in the MRTU software, J.P. Morgan supports the commitment of the CAISO to implement the MSG software functionality within six to nine months after MRTU go live.

J.P. Morgan believes that the CAISO's Revised Straw Proposal is an improvement over the February 17, 2009, Straw Proposal. As stated in its previous comments, J.P. Morgan was concerned that the CAISO's proposal to lock in the MSG configuration accepted in the IFM through the RTM may require the CAISO to continue to rely on its Exceptional Dispatch authority in real time and thus may obviate some of the purported benefits from moving to the MSG proposal. The CAISO's revised proposal in part addresses that issue by permitting MSG resources to bid up to ten configurations into the day-ahead market and allowing up to three configurations in real time. However, the revised proposal imposes certain other requirements for bidding into the CAISO RTM. J.P. Morgan's comments below focus on those requirements.

Bidding Requirements

On page 5 of the CAISO's Revised Straw Proposal the CAISO identified the following requirements for bidding into the RTM:

1. At least one configuration's bid must be sufficient to cover any day-ahead energy schedule and Residual Unit Commitment schedule or award;

2. All configurations bid into real time must reserve capacity to fulfill day-ahead ancillary services awards;
3. Configurations bid into the real time market for a particular hour can be feasibly transitioned between one another by the 15-minute unit commitment that occurs in real time; and
4. At least one configuration bid into the real-time market must be feasible given the configurations bid into the previous hour.

J.P. Morgan agrees that requirements 3 and 4 are reasonable in order to ensure feasible (i.e., representative of the operating constraints of the MSG resource) bids/schedules on both an intra-hour (SCUC 15-minute) and inter-hour basis.

With respect to requirements (1) and (2), J.P. Morgan requests that the CAISO clarify that the requirements are: 1) not intended to impose on MSG resources bidding requirements that are in any way different than those applicable to other generating resources; and 2) not intended to prohibit MSG resources from modifying (buying out of) their day-ahead market schedules. While J.P. Morgan acknowledges both that day-ahead market schedules are financially binding and that it is the CAISO's expectation that market participants will take actions consistent with their day-ahead market awards, the CAISO tariff does not prohibit market participants from buying out of their day-ahead schedules. In addition, with respect to requirement (1), J.P. Morgan requests that the CAISO clarify or be more specific regarding the intent of the requirement and identify whether the requirement is intended to be applicable to both Resource Adequacy and non-Resource Adequacy resources. While RA resources have an obligation to bid in real time consistent with their day-ahead schedule if they are selected in the IFM and/or RUC, non-RA resources can, as noted above, effectively buy out of their day-ahead schedules.

Conclusion

J.P. Morgan appreciates the opportunity to provide these comments on the CAISO's Revised Straw Proposal regarding Modeling of Multi-Stage Generating Units. J.P. Morgan supports the CAISO's proposal to implement the MSG capability within six to nine months of MRTU go-live and looks forward to reviewing the CAISO's final proposal.