

## **J.P. Morgan Comments on CAISO Issue Paper Data Release & Accessibility *Phase 1: Transmission Constraints***

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<b>Submitted by</b>	<b>Company</b>	<b>Date Submitted</b>
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### General Comments

J.P. Morgan Ventures Energy Corporation and BE CA, LLC (collectively, "J.P. Morgan") appreciates this opportunity to provide comments on the California ISO's (CAISO's) November 5, 2009, Issue Paper entitled Data Release & Accessibility *Phase 1: Transmission Constraints* ("Issue Paper").

Transparent markets facilitate better risk management and lead to greater liquidity. As market results become more consistent and predictable, market participants can better assess and manage the risks of market participation and thus are likely to increase their participation in the market. The CAISO's new market is predicated on sending short-term price signals that will align market participant actions with reliable grid operation and inform longer-term investment decisions. If market participants do not understand or trust in the value of these price signals, the CAISO's efforts to reliably and efficiently manage the grid and guide investment decisions may be compromised.

Since the start of the CAISO's new market, the lack of predictable and certain market outcomes has at times shaken market participant confidence in the market. The CAISO's reliance on exceptional dispatch, price corrections outside the price correction window, the use of operator biases, and other factors, have all fueled market participant concerns about the lack of transparency in the CAISO's markets and the certainty of market outcomes. It is therefore imperative that the CAISO adopt a data and information release policy that facilitates a complete and accurate understanding of CAISO market outcomes.

### Information Release Policy

On the CAISO's November 12, 2009, conference call on Data release and Accessibility, the CAISO requested that market participants provide specific information on they type of information and data that they believe they need and a "business justification" for such information. Rather than requiring market

participants to justify the need for information, J.P. Morgan suggests that CAISO adopt an information release policy that states that the CAISO will provide and release all information to the market on a non-discriminatory and timely basis unless the CAISO identifies and justifies why such information should not be released. While J.P. Morgan agrees that confidential information<sup>1</sup>, as defined in Section 20.2 of the CAISO Tariff, and information deemed to be critical to grid security should not be released, all other information should be made available to market participants.<sup>2</sup>

J.P. Morgan recommends that central elements of the CAISO's information release policy should be for the CAISO to provide:

- 1) a clear explanation of all CAISO operating requirements, procedures and practices. This should include the appropriate release of procedures that are currently not public, with only specific market sensitive information redacted (as opposed to the entire procedure);<sup>3</sup>
- 2) a detailed description and explanation of all constraints, including nomograms<sup>4</sup>, and contingencies modeled in the CAISO's market software (IFM, RUC, RTM and CRR);
- 3) a detailed description and explanation of all constraints, including nomograms, and contingencies *not* presently modeled in the CAISO's market software and an assessment of whether such constraints can be modeled and a schedule when they may be modeled. This would include a detailed list of the constraints that the CAISO is unable to enforce due to a lack of telemetry<sup>5</sup>;
- 4) As contemplated by the CAISO (Issue paper at p.17), a "Default Constraint List" that would be updated each time the CAISO's database model is updated. J.P. Morgan assumes such a list would be similar to that purportedly contained in CAISO Operating Procedure M-405 Attachment A (See also footnote 5).
- 5) Daily after-the-fact provision of what constraints were or were not enforced in the CAISO's day-ahead market on that day. Such reports would include

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<sup>1</sup> Per FERC requirements, J.P. Morgan understands and supports the release of bid information after 90-days. J.P. Morgan also understands that the CAISO plans to conduct further discussions with stakeholders on information and data release in later stages of this effort.

<sup>2</sup> J.P. Morgan agrees that, if deemed necessary by the CAISO, information could be provided to market participants, rather than to the public at large, and subject to appropriate non-disclosure agreements.

<sup>3</sup> J.P. Morgan notes that the Full Network Model Business Practice Manual (FNM BPM) Section 2.1 (p.13), states that, "CAISO Operating procedures define constraints other than thermal limits of individual network branches, and state the conditions in which the constraints are valid, including variation by season, time of day, temperature, wind speed, existence of outages, market time horizon, etc." J.P. Morgan requests that a list of such operating procedures be provided and, if not already, such procedures be made public or available to market participants.

<sup>4</sup> Per the CAISO's request on p.18 of the Issue Paper, J.P. Morgan requests that a general description of all operating nomograms be provided and that the CAISO indicate whether such nomograms are modeled, or not, in the market software and whether such nomograms are enforced on a daily basis.

<sup>5</sup> See Issue Paper p.12 (bullet 8) and FNM BPM Section 2.1.1.1.

a reconciliation with the “constraint enforcement adjustments” made in the D+2 and D+3 timeframes and the reasons for such adjustments<sup>6</sup> (J.P. Morgan believes this is consistent with the “All Constraints List” discussed by the CAISO on p. 17 of the Issue Paper);

- 6) A periodic assessment and public report of the “Lessons from Market Results”. Per FNM BPM Section 2.1.1.5, the CAISO uses market results to determine whether to enforce certain constraints or not. While J.P. Morgan presumes such assessments factor into the “constraint enforcement adjustment” referred to in (4) above, J.P. Morgan also recommends that the CAISO issue periodic (e.g., quarterly) assessments to identify important trends or systematic issues with constraint enforcement, including those where there is insufficient telemetry (see FNM BPM Section 2.1.1.1);
- 7) Clear and transparent development, implementation and notification processes for implementing new constraints and making other changes to the CAISO’s market models. Such processes would include a discussion with stakeholders in the appropriate forum (perhaps Release Planning workshops) regarding how the CAISO intends to model certain constraints and the supporting rationale for the proposed methodology. In addition, as part of or in addition to the CAISO’s database model release process, the CAISO would notify market participants of the schedule for implementing identified new constraints, including appropriate testing and market simulation activities.

Such information is necessary for market participants to understand CAISO market outcomes. J.P. Morgan recommends that the above information requirements be codified in the CAISO Tariff.

### Conclusion

As stated in J.P. Morgan’s comments submitted in Docket No. ER09-1542-000, while the CAISO has endeavored to provide some level of detail regarding the mechanics of its market processes, absent specific information on the constraints and contingencies enforced or not enforced in the market software, market participants cannot assess the true market and price impact of the CAISO’s practices. The first seven months of the CAISO’s new market has revealed the importance and impact of accurate modeling and the importance of price transparency and certainty. For example, the CAISO’s difficulty in accurately modeling and enforcing complex capacity and voltage-related constraints has given rise to the need for the CAISO to frequently rely on its Exceptional Dispatch authority. While the CAISO is moving forward with efforts to reduce Exceptional Dispatch, the process and manner by which it will incorporate new

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<sup>6</sup> See Issue Paper at p.11 and FNM BPM, Section 2.1.1. In addition, J.P. Morgan notes that while the CAISO Issue Paper at p.11, indicates that CAISO Procedure M-405 defines the list of base contingencies that are activated all the time as default, the CAISO does not appear to make the list (contained in Attachment A to M-405) publicly available.

constraints into either RUC or the IFM needs more definition and transparency. In addition, the CAISO has at times needed to rely on its broad authority to correct market prices outside of prescribed time periods. These circumstances and actions produce uncertainty in the market. The continued success and viability of CAISO's new market is dependent upon the CAISO facilitating and supporting a fully transparent market. Such transparency is necessary so that market participants can understand, build confidence in, and be informed by, market results. Understandable and predictable market outcomes support good operating and investment decisions. J.P. Morgan therefore recommends that the CAISO make the above-identified information available to market participants and codify its obligation to provide such information in the CAISO Tariff.

J.P. Morgan appreciates the opportunity to provide these comments and looks forward to continued discussion with the CAISO and stakeholders on this matter.