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**Comments of Northern California Power Agency
Stakeholder Initiatives Catalog
November 19, 2014 Revised Draft Stakeholder Initiatives Catalog**

December 5, 2014

Northern California Power Agency (NCPA) appreciates the opportunity to provide the following comments in response to the CAISO's Revised Draft Stakeholder Initiatives Catalog posted November 19, 2014 and its subsequent stakeholder call on November 21, 2014.

As a general comment, NCPA questions the value of the Stakeholder Initiatives Catalog process. Past iterations of this process have demonstrated that stakeholder input in support for an initiative doesn't correlate with the initiative being undertaken or even being prioritized in subsequent years. Additionally, experience has shown that the ability of the CAISO to accomplish the highly ranked initiatives is constrained by the availability of staff resources and the need to address acute market issues as they arise. NCPA therefore contends that while developing a catalog of current, potential, and mandated initiatives is a useful exercise, seeking stakeholder input in the ranking process of potential initiatives is perhaps misleading.

2.3 Multi-Day Unit Commitment in Integrated Forward Market

NCPA supports the CAISO's ranking of this initiative and looks forward to participating in the stakeholder process.

3.7 Hourly Bid Cost Recovery Reform

NCPA supports the CAISO's ranking of this initiative and looks forward to participating in the stakeholder process.

5.6 Regulation Service Real-Time Energy Market Whole Settlement

NCPA maintains that this initiative is important for the efficient and reliable operation of the CAISO market and that it should be highly ranked. In particular, this initiative

was ranked as “3” by the CAISO in both the categories of “Grid Reliability” and “Improving Overall Market Efficiency.” NCPA strongly disagrees with these rankings.

With the increasing capacity of intermittent generation sources in the generation fleet in California, concern about the need for responsive, flexible resources to enable the CAISO to operate the system reliably has been at the forefront in nearly every recent stakeholder initiative. Given this, NCPA contends that exposing Scheduling Coordinators for generators providing regulation services to Real-Time energy price risk significantly diminishes the incentive for SCs to bid regulation capacity into the market. This is especially the case given that the Area Control Error (ACE) for which the regulation capacity is converted to energy is on four-second intervals and thus well after the determination of the economic prices in the Real-Time market.

The suggestion is often made that the Real-Time energy price risk can be built into the Regulation bid price. NCPA notes, however, that this is a weak argument since (1) the energy prices are in MWh and the capacity payments are for MW, (2) forecasting Real-Time prices and Real-Time price volatility – which is significant in its frequency, magnitude, and causes – is a challenge to say the least, and the generator’s ability to predict when the CAISO will move the generator relative to Real-Time prices to which it is exposed is completely speculative.

The consequence of the exposure to Real-Time energy price risk is a significant disincentive to provide Regulation Energy bids. This has a substantive negative impact on grid reliability and market efficiency and consequently NCPA asserts that the ranking for this initiative in both those categories should be “7.”

6.1 Congestion Revenue Rights Enhancements to Address Revenue Inadequacy

NCPA supports the CAISO’s ranking of this initiative and looks forward to participating in the stakeholder process.

11.14 Multiple Resource IDs per Generation Meter

NCPA does not support the foregone conclusion that a portion of a generator’s output should be able to be modeled as a “pseudo-generator.” Such an approach presents significant complexity in the bidding and settlement of such resources and NCPA feels this is an undue effort and expense. Subsets of resources, for example a subset of wind turbines in a wind farm, should establish metering and telemetry commensurate with rules for all other generators in order to participate as individual generators. Since, as

described, there is already a mechanism to achieve this outcome, NCPA contends that the ranking of “7” in the category of “Improving Market Efficiency” is unwarranted and recommends that this score be changed to “0.”