CPUC Staff Comments
Scarcity Pricing

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Outline

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Regulation Down

- As many renewable resources are highly subject to weather conditions, it is important to account for the diversity of weather conditions and renewable generation resources across the CAISO service territory.

- Is there a reason why Regulation Down does not need to have regional requirements in addition to the system-wide requirements?
FERC Sept. 21, 2006 Order states:

- “The scarcity pricing mechanism should apply administratively-determined graduated prices to various levels of reserve shortage. This requirement calls for a Scarcity Reserve Demand Curve with different pre-determined prices at different levels of scarcity.”

The current proposal addresses increased prices based on different A/S products, not the “various levels reserve shortage.”

- 1 MWh shortage is treated the same as a 500 MWh shortage.
The tiered pricing approach proposed by the CPUC staff in previous comments would not cause the price volatility described in the Draft Proposal.

- Smaller steps in scarcity pricing would have no effect on the number of times scarcity pricing is called.
- Tiered pricing attempts to attract units that are willing to enter the market at prices less than $700/MW.
CAISO needs to work with CPUC to ensure that an A/S must offer requirement would not create any incentives for generators to opt out of RA contracts.

Any regional short term A/S requirements that CAISO wishes to impose must be coordinated with potential CPUC long term A/S requirements.

CAISO and the CPUC should seriously consider if RA resources currently under RA contracts should be eligible for Scarcity Pricing.

CAISO and CPUC should also consider if future RA contracts should be eligible for Scarcity Pricing or if parties to these RA contracts should account for impacts of Scarcity Pricing within the terms of the bilateral contracts.
A/S Cost Allocation

- If the CAISO wishes to determine A/S regional requirements and enforce scarcity triggers at a regional level, then A/S costs should be allocated regionally.
  - This falls directly from traditional cost causation principles, and prevents penalizing entities that have self-supplied.
A/S Requirements, DR, and the CFCD

- CPUC staff believe the proposal to adjust the RT A/S requirements to account for DR accepted in the DAM is a beneficial change from the last proposal.
  - CPUC request additional detail regarding the manner in which the adjustment will occur and in what markets (RTM and/or DAM).
Scarcity Pricing and Demand Response

- The CPUC staff requests clarification of CAISO’s use of Emergency Triggered Interruptible Load (ETIL) in RT.
  - Current proposal seems to treat ETIL in RT similar to the treatment of non-participating load in DA.
- The changes proposed by CAISO regarding ETIL would need to be coordinated with the CPUC.
- The future of emergency-triggered programs is a key demand response policy issue that the CPUC has not yet addressed. The CPUC will need to weigh costs and benefits of modifying emergency-triggered DR programs in its own proceedings before it can order any changes to these programs.
Questions?

- If questions, contact:

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