Summary Minutes of Competitive Path Assessment Work Group (CPAWG)  
Meeting of July 13-14, 2005, Marriott, Rancho Cordova, CA

Summary of CPAWG Meeting of July 13:

Farrokh Rahimi made a presentation (posted) covering the following material:

- Summary of CPAWG meeting of June 23 and phone conference call of July 6
- CAISO Action Items generated in the prior CPAWG meetings and resulting actions:
  - Inquiry about treatment of bilateral contracts in competitive path assessment in PJM and MISO
  - Preparation of a 10-15 node network for further illustration of different methods (a 16-node network topology was posted)
  - Preliminary comparative assessment of candidate methods
  - Options (and proposal) for treatment of imports
- List of 9 issues identified in the prior CPAWG meetings along with options for each for discussion at the CPAWG and selection of the desired option
- Plan of action going forward

Three papers (posted) were also presented based on Action Items generated in the prior CPAWG meetings:

- Ellen Wolfe (for WPTF):
  - Options (and proposal) for selection of candidate paths for competitive path assessment
  - Options (and proposal) for treatment of bilateral contracts (in conjunction with pivotal entities)

- Jeff Nelson (SCE):
  - Options (and proposal) for consideration price impacts in competitive path assessment

In conjunction with the 16-node model, Jim Kritikson suggested including a generation pocket.

Ellen Wolfe suggested adding “comprehensibility” to the list of criteria for comparative assessment of candidate methodologies.

Jeff Nelson suggested using a “no-three-jointly-pivotal-supplier” test for Feasibility Index (FI) screening followed by a price test on the paths that pass the FI screen.

A question was raised as to whether IOU supply would be subject to pivotal analysis. It appeared that there was no consensus or strong argument that this is warranted. Farrokh suggested that it might not be reasonable to declare a path non-competitive based on a test that assumes the IOU would physically withhold its supply to serve its load, but that the ISO would welcome further input on this question through written stakeholder comments.

Regarding imports there was agreement that import entities would not be subject to pivotal analysis. Imports would be modeled as either fixed based on historical levels for
the specific scenario under study, or modeled as price-quantity curves (with no physical withholding) based on relevant historical data.

Regarding bilateral contracts, there were two views:

- Ellen Wolfe proposed considering only the fixed priced energy contracts that have a specific unit as the delivery point, as well as specific unit tolling agreements
- Jeff Nelson argued against consideration of contracts in pivotal analysis. He argued there could be contractual chains that could make it impossible to track down contracts to specific supply/demand locations.

Regarding entities subject to pivotal analysis, Ellen Wolfe suggested using the SC as a basis, but providing for attribution of generation in the SC’s portfolio to other entities based on ownership and possibly contractual arrangements. Jim Kritikson suggested that the entity that decides on the bid (rather than the one that submits the bid) should be the focus of pivotal analysis (this may be the generation owner or the SC depending on their agreement as to who decides the bid quantity and price).

**Summary of CPA Segment of MRTU Stakeholder Plenary Session of July 14:**

Farrokh Rahimi presented a brief summary of issues and options discussed at the previous three CPAWG sessions, and presented a straw proposal based on stakeholder inputs as stated below.

**CAISO’s Straw Proposal:**

Based on the stakeholder discussions with a view to the options stated in conjunction with each of the 9 issues identified and discussed at the CPAWG meetings, the CAISO proposes the following straw proposal for the November 2005 Tariff Filing for discussion at the CPAWG/MRTU Plenary Session on July 14, and solicits written comments prior to the next CPAWG meeting:

1. Preferred methodology: The Feasibility Index method (FI Screen)
2. Shift Factor Methodology: Not applicable to the FI Screen
3. Candidate Path Selection Criteria: Probably not needed with the FI Screen. If needed, however, use historical congestion frequency (500 congested hours during the year?)
4. Demand for Congestion Relief: Not applicable to the FI Screen
5. Price Movement Screen: Consider not applying if “no-three-jointly-pivotal-supplier” test is used with the FI Screen (Phase 1); If a viable transparent method is worked out (Phase 2), then consider applying the Price Movement Screen in tandem with the FI Screen, both based on “no-two-jointly-pivotal-suppliers” criterion.
6. Treatment of Imports: Use historical levels.
7. Treatment of Contracts: Ignore for Phase 1. If a viable transparent method is worked out (Phase 2) consider incorporating (with the Price Movement Screen)
8. Set of System/Market Conditions: Not essential for November Tariff Filing. However, if needed:
   - Use load samples (and LDFs) for summer and winter peak and possibly monthly peak and off-peak
– Use relevant seasonal base network (no contingency list) with transmission ratings already incorporating operational limits (combination of thermal, voltage, and dynamic stability limits with N-1 contingency)

– Use historical hydro for dry, medium, and wet years.

**Note:** A related issue that merits further discussion in this context is that in competitive path assessment studies done by other ISOs (PJM and MISO) although a number of system/market conditions are used, the designation of any path as either competitive on non-competitive is made without a temporal distinction. This means that the Competitive Path Assessment results designate a path as either competitive or non-competitive, and not for example, “competitive for all months except for peak hours in July and August”. At the Plenary Session Ellen Wolfe stated that a criterion that would require a path to pass the competitiveness screens for all cases in the set of system/market conditions studied in order to be designated competitive would be excessive, and suggested a forward looking seasonal designation, where for each season the path in question must pass only the competitiveness screen(s) for cases studied for that season. The CAISO invites inputs from other stakeholders on this issue.

9. Candidate Pivotal Entities: SCs (except UDC generation?)

**Note:** This element of the straw proposal is motivated primarily by simplicity. The CAISO understands that in cases where an owner has a generation portfolio with units scheduled by different SCs, this may undermine the impact of the pivotal owner, and in other cases where the SC is simply scheduling different resource following their owners’ instructions this may overemphasize the impact of the SC as a pivotal entity. The CAISO invites further inputs from stakeholders on this issue.