

Stakeholder Comments

Draft 2011 Market Design Catalog

Submitted by	Company	Date Submitted
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Southern California Edison (SCE) appreciates this opportunity to provide comments on the CAISO's draft 2011 Market Design Catalog. SCE views the effort of cataloguing market design issues as an important step in communicating to stakeholders the potential design initiatives that the ISO markets will undertake in coming years. The catalog also helps to focus market design efforts on important or pressing initiatives. SCE looks forward to working with the ISO to finalize the 2011 catalog.

1. The ISO must catalog and address some issues in the near-term, regardless of whether “Renewables Integration: Market Product Redesign Phase 2” (RIMPR 2) will also address these design elements.

SCE agrees that the RIMPR 2 initiative will subsume many pressing market design elements but believes that multiple priority issues will need to be addressed in the immediate or near-term, regardless of whether these issues will also be addressed in the RIMPR 2. Many of these issues are pressing and will need some form of solution prior to the expected RIMPR 2 implementation timeline of 2014 and beyond. Suspending action on these issues for multiple years is likely to be unreasonable. SCE thus recommends that the ISO keep and rank certain issues in its 2011 Market Design Catalog, even if near-term design solutions are subsumed by more concrete redesign efforts via RIMPR 2.

Accordingly, SCE does not currently support either of the ISO's proposed options for the 2011 ranking process in so far as these options intend to establish the 2011 Catalog after or in conjunction with the RIMPR 2 roadmap. SCE requests that the ISO consider an alternative option where a small set of issues are determined as near-term priorities, regardless of RIMPR 2. The ISO would then rank and begin to address these issues in parallel with RIMPR 2.

SCE believes that the following design initiatives should be addressed near-term, regardless of whether RIMPR 2 will also address them. SCE's list includes an initiative that is currently proposed for deletion from the catalog as well as several new initiatives that SCE recommends for addition to the catalog. Descriptions of these latter initiatives are provided later on.

- #2.2: Multi-Day Unit Commitment in the IFM
- #2.6: Startup and Minimum Load Cost Enhancements
- #2.8: Uplift Treatment to Accommodate GHG
- #3.1: Real-time Imbalance Energy Offset
- #3.4: Flexible Ramping Constraint

- #12.13: BCR for Units Running Over Multiple Operating Days
- New Addition: Enabling Bilateral Energy Excluded From Settlements (BEEFS)
- New Addition: Allocation of Dynamic Ancillary Services Costs
- New Addition: Multi-year forward CAISO New Generation Procurement Mechanism
- New Addition: Enhancements to Start-Up Bids to Recognize Fixed per Start Costs

2. SCE recommends the addition of multiple initiatives to the 2011 Catalog.

SCE recommends adding five initiatives to the 2011 Catalog and provides a summary explanation of these initiatives.

New initiatives to be included for near-term resolution:

- **Enabling “Bilateral Energy Excluded from Settlements” (BEEFS)** – MISO, PJM, and NYISO have explicit mechanisms allowing parties to settle the energy component of sales and purchases bilaterally, rather than through the ISO’s settlement mechanism¹. BEEFS will allow market participants the opportunity to settle energy transactions outside of CAISO settlements. By basing settlements on IFM results and on the SMEC, BEEFS allow market participants to:²
 - 1) Easily settle the energy component of transactions, since it is the same across the CAISO
 - 2) Reduce unnecessary clearing of energy
 - 3) Reduce exposure to CAISO settlements
 - 4) Help address the bankruptcy issues raised by FERC
 - 5) Reduce the impact of future defaults
 - 6) Potentially reduce the amount of collateral required by participants
 - 7) Allow willing participants access to settlement and clearing services provided outside of the CAISO
- **Allocation of Dynamic Ancillary Services Costs** – with the finalization and implementation of rules for Dynamic Transfers and Pseudo-ties, the CAISO must address how to allocate costs associated with these changes. SCE recommends that cost-allocation be done based on cost-causation principles. This structure creates correct price-signals and aligns with the ISO’s transparency principle, stipulated in RIMPR 2.
- **Multi-year forward CAISO New Generation Procurement Mechanism** - The CAISO should have a mechanism to ensure that new generation needed to address local reliability issues or VER integration is built. The CAISO should explore a "new generation auction" in which the CAISO would work with the CPUC to determine the need for such generation, and the allocation of

¹ MISO Financial Schedules: “Energy and Operating Reserve Markets Business Process Manual” at:

https://www.midwestiso.org/_layouts/MISO/ECM/Redirect.aspx?ID=19178

NYISO Bilateral Schedules: http://www.nyiso.com/public/about_nyiso/understanding_the_markets/energy_market/index.jsp

PJM eSchedules: <http://pjm.com/training/~media/training/core-curriculum/ip-transactions-201/transact-201-internal-transactions-eschedules.ashx> (PJM calls them Internal Transactions and they are a subset of eSchedules).

Also reference <http://www.pjm.com/~media/etools/eschedules/pjm-eschedules-user-guide.ashx>

² http://www.caiso.com/Documents/SCEBilateralEnergyExcludedFromSettlementsProposal_Discussion.pdf

obligations. The CAISO could then run an auction to guarantee (based on performance) a payment stream sufficient for new generation build. SCE foresees the possible need for new generation as early as 2020, thus this discussions on this mechanism should begin in the near-term.

- **Enhancements to Start-Up Bids to Recognize Fixed per Start Costs** – SCE has requested in various stakeholder forums the ability to present the ISO market optimization with a two-part start-up cost bid. SCE recommends the ISO implement a two-part start-up costs bid which would allow a Scheduling Coordinator to eliminate exposure to fuel price volatility. The two-part start-up bid would contain a proxy value to remove fuel price risk

New initiatives to be included in RIMPR 2:

- **Re-allowing Virtual Bids on the Interties Assuming They Are Suspended per the Real-Time Imbalance Energy Offset (RTIEO) Initiative** – numerous parties have expressed interest in allowing virtual bidding on the interties. While SCE supports the suspension of virtual bidding on the interties based on the various problems assigned to it in the RTIEO, it may make sense to create a future initiative to re-open virtual bidding with new rules. To SCE, this initiative is a low-priority discretionary issue.

3. SCE expects numerous initiatives to be addressed in RIMPR 2.

The ISO requested feedback from stakeholders regarding which initiatives should be addressed in RIMPR 2. SCE looks forward to participating in RIMPR 2 and recommends the following initiatives for inclusion.

This list includes some initiatives highlighted by SCE as near-term priorities. Such issues may need to be revisited in light of RIMPR 2. This RIMPR 2 list also includes initiatives that are currently proposed for deletion from the catalog. These initiatives should not be removed from the 2011 Catalog.

- #2.6: Startup and Minimum Load Cost Enhancements
- #2.7: Unit Commitment and Price Formation Improvements
- #3.4: Flexible Ramping Constraint
- #4.1: Simultaneous Residual Unit Commitment and IFM
- #4.2: Consideration of Non-RA Import Energy in the RUC Process
- #5.1: Ancillary Services Substitution
- #9.1: Interchange Transactions after the Real-Time Market
- #9.2: Allocation of Intertie Capacity
- 10.3: Storage Generation Plant Modeling
- 11.9: Non-Generic RA
- 11.11: Dynamic Scheduling/Pseudo Ties (Import and Export) for Load and Generation
- 12.1: Pricing of Minimum Online Constraints
- 12.5: Extend Look Ahead for Real-Time Optimization

- 12.6: Sub-Hourly Scheduling
- 12.7: Multi-Settlement System for Ancillary Services
- 12.10: Addressing Ramping Capacity Constraints
- 12.11: Inertia Procurement
- 12.25: Multi-Hour Block Constraints in RUC
- New Addition: Allocation of Dynamic Ancillary Services Costs
- New Addition: Re-allowing Virtual Bids on the Interties Assuming They Are Suspended per the Real-Time Imbalance Energy Offset (RTIEO) Initiative

- 4. Some initiatives on the ISO’s Draft Catalog that are not currently proposed for deletion should instead be proposed for deletion because these issues are very low priority or are unnecessary.** SCE supports the ISO’s idea of removing certain issues from the Draft 2011 Market Design Catalog. By prudently reducing the amount of issues on the Catalog, stakeholders can better focus on and understand the more relevant issues that remain in the Catalog. This understanding is important in the ranking process because it increases the likelihood that stakeholders are highly informed on the remaining initiatives. Given the large resource requirements being made on the ISO’s market design staff, it makes sense for the ISO to keep the 2011 Market Design Catalog as tight and prioritized as possible.

SCE specifically recommends the following initiatives be removed from the 2011 Catalog.

- #2.1: Marginal Loss Surplus Allocation
- #2.5: Load Aggregation Point (LAP) Granularity
- #3.2: Consideration of UFE as Part of Metered Demand for Cost Allocation
- #5.3: Voltage Support Procurement
- #5.4: Black Start Procurement
- #5.5: Fractional MW Regulation Awards
- #6.2: Long-Term CRR Auction
- #6.2.1: Flexible Term Lengths of Long Term CRRs
- #6.2.2: Multi-Period Optimization Algorithm for Long Term CRRs
- #6.3: Release of CRR Options
- #7.1: Allowing Convergence Bidding at CRR Sub-LAPs
- #7.2: Additional Bid Cost Recovery for Convergence Bidding