

Southern California Edison
Stakeholder Comments

**Revised Draft 2015 Stakeholder Initiative Catalog,
November 19, 2014**

Submitted by	Company	Date Submitted
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Southern California Edison (SCE) appreciates the opportunity to comment on the California Independent System Operator (CAISO), November 19, 2014 Revised Draft 2015 Stakeholder Initiatives Catalog¹. SCE generally supports the CAISO’s proposed rankings, with some exceptions, and thanks the CAISO for engaging stakeholders in the development of this catalog. The following are detailed comments on certain aspects of the rankings.

“Review of Convergence Bidding Uplift Allocation” should have a higher priority

“Review of Convergence Bidding Uplift Allocation” should be considered high priority due to the effect it has on market efficiency and equity to those assigned uplift costs². A significant amount of uplift has been created by activities that are not caused by market participants. For example, the CAISO makes changes to the full network model between the DA and RT markets. In some cases, these changes cause a price divergence that can produce profits for convergence bidders. However, the profit is not derived from the actions of a willing market participant. As that is the case, there is no source of funding for the profits which can then create an uplift. As SCE has stated in the past, the current setup, in the circumstances mentioned above, allocates costs unfairly to parties who do not have any effect on the changes CAISO makes that result in these uplift charges³. SCE recommends the market efficiency score be increased to 10 and that the initiative be considered high priority even if the total score does not naturally place it among the highest ranking initiatives (the initiative has a score of 0 for grid

¹ <http://www.caiso.com/Documents/RevisedDraft-2015StakeholderInitiativesCatalog.pdf>

² While the “Full Network Model Expansion” initiative could reduce the frequency of these uplifts, the issue of cost allocation has not yet been resolved and should not be put on hold.

³ See Sections F and G at <http://elibrary.ferc.gov/idmws/common/OpenNat.asp?fileID=13219304>

reliability as it is a cost allocation issue, however, the 0 score in one area should not keep it from being considered high priority).

“Blackstart and System Restoration” Phase 2 should be a separate initiative with a lower priority ranking

The “Blackstart and System Restoration” initiative has two phases that are different in purpose. The first phase, which amended the CAISO tariff to account for new blackstart resource standards, has already resulted in Tariff changes approved by FERC and does not need to be part of the catalog (unless additional changes in this area are needed). The second phase would address competitive procurement of blackstart capability. SCE is not aware of any benefits to this second phase that would result in the high ranking shown in the catalog.

The “Improving Overall Market Efficiency” score should be lowered from a 7 (Moderate Improvement) to a 0 or 3 (None to Minimal Improvement). While vital, the CAISO has stated that blackstart services are a small part of the products and services necessary for reliable operation of the grid⁴. This implies that any changes in this area would have a minimal effect on overall market efficiency. Further, it is questionable as to whether a competitive market for Blackstart services should even exist. Requirement 1 and its sub-parts of NERC Reliability Standard EOP-005-2 require not only a plan for system restoration but a defined list of blackstart assets and identification of cranking paths to restore operation of the grid. SCE believes that, after considering the assets capable of blackstart and the necessary cranking paths to restore the system, the pool of resources that could provide meaningful restoration will be so small that it draws concern for potential market power if a blackstart market is deployed. SCE does not believe that a market is an appropriate device to address emergency operations. In fact, the CAISO tariff contains provisions to instruct resources outside of market operations to prevent operational failure.

If a significant number of cranking paths and blackstart resources can be defined to avoid market power, then considerable effort would be needed to clear this market as the optimization process would have to consider a large number of constraints through the cranking paths, including available resources which are dependent on other cranking paths and other available

⁴ Page 4 of http://www.caiso.com/Documents/IssuePaper-StrawProposal-Blackstart_SystemRestoration.pdf

resources. Unless there is a small subset of generators that needed to be studied, the simulation process could be burdensome or infeasible. However, if the generation that could be selected in this process is small enough to allow for sufficient simulations and studies, it does not seem likely that there are significant market efficiency gains, but rather that there are potential market power concerns as a result.

Finally, SCE is not aware that there is a “desire by a majority of stakeholders” to have a competitive blackstart market. Unless this majority can be demonstrated, SCE believes the score in this category should be lowered to reflect the actual desire by stakeholders.

Initiatives related to the value of storage in the CAISO market, including “Difference Bidding in Integrated Forward Market for Energy Storage Resources,” should have a higher priority due to high market efficiency improvements and stakeholder desire.

The rules surrounding storage in the CAISO market directly impact the value of different storage capabilities and, as a result, will affect the types of storage that are developed. Higher rankings are needed for certain storage initiatives so development and procurement that is occurring in the near future can best align with the value that the system will have for storage. For this reason, SCE believes a higher score should be placed on “Difference Bidding in Integrated Forward Market for Energy Storage Resources”, and other initiatives that affect the value of storage in the market, for both the Market Efficiency and Stakeholder Desire categories.

“Convergence Bidding Clawback” should have a higher priority because it will improve overall market efficiency.

The congestion revenue rights adjustment rules are an important safeguard against market manipulation. LAP and trading hub exclusions from these rules are acceptable in theory, but it is important to study if this assumption holds true when a LAP or trading hub is not very large. For this reason, SCE supports increasing the market efficiency score for this initiative (from three to seven or ten). If VEA or SDG&E LAP is not large enough to avoid manipulation, it would be ideal to identify and resolve this issue before any significant consequences materialize.