

Discretionary Initiatives High Level Ranking Template

Submitted by	Company	Date Submitted
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Instructions

Please use this template to rank your top five discretionary market design initiatives.

1. Select five market design initiatives¹ from the November 5, 2013 version of the Stakeholder Initiatives Catalog.
2. Provide the name of the initiative.
3. In the “High Level Prioritization Criteria Matrix” provide a score of 0, 3, 7, or 10 for each of the four criteria in green boxes.
4. Provide a total tally of your score for each initiative.
5. Below the matrix, provide detailed explanations for each criterion using as much space as you need. Providing a rationale for the ranking and considering these initiatives over others is critical to this ranking process. Since dollar and resource estimates are understandably approximate at this level, the qualitative discussion will be given more emphasis. Similarly, the numerical rankings are informative and may help to organize discussion but the qualitative information will be critical for the ISO as we compare initiatives.

Comment on Non-Discretionary Initiative 9.4 – Joint Reliability Framework:

In comments previously submitted by the Six Cities group, the Cities requested that the ISO include consideration of Multi-Year RA Import Allocations, either as an explicit element of the Joint Reliability Framework initiative or as a separate, stand-alone initiative. The November 5, 2013 version of the Catalog discusses multi-year import allocations as an element of the Joint Reliability Framework initiative, which the ISO classifies as non-discretionary. The Cities

¹ Infrastructure and planning initiatives will not be ranked as they are considered separately and there are only two discretionary initiatives.

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consider development of a process for multi-year RA import allocations to be an indispensable element of the Joint Reliability Framework. Permitting multi-year RA import allocations will facilitate forward contracting by LSEs for renewable resources and flexible capacity resources located outside the ISO's Balancing Authority Area ("BAA") and bring more parity with similar resources internal to the ISO's BAA. This should increase the pool of external resources available to provide operational flexibility needed to manage the grid more effectively while achieving the state's Renewable Portfolio Standard goals and improve grid reliability. By providing greater assurance that external resources will be deliverable for RA purposes over a multi-year time horizon, forward contracts for external RA resources should be both more desirable and easier to administer, as well as involving less risk both for the external resource and for the purchasing LSE.

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So. Cal. Cities' Initiative 1: Mitigation of Transmission Cost Increases (Catalog Item 10.3)

High Level Prioritization Criteria Matrix

		Criteria	HIGH	MEDIUM	LOW	NONE	Your Score
			10	7	3	0	Use 0, 3, 7, or 10
A	Benefit	Grid Reliability	Significant Improvement	Moderate Improvement	Minimal Improvement	No Improvement	7
B		Improving Overall Market Efficiency	Significant improvement	Moderate improvement	Minimal improvement	No impact	10
C		Desired by Stakeholders	Universally desired by stakeholders	Desired by majority of stakeholders	Desired by a small subset of stakeholders	No apparent desire	X
D	Feasibility	Market Participant Implementation Impact (\$ and resources)	No Impact	Minimal Impact	Moderate Impact	Significant impact	3
E		ISO Implementation Impact (\$ and resources)	No Impact	Minimal Impact	Moderate Impact	Significant impact	3
						Total	23

Grid Reliability (*provide a detailed explanation of how and why this initiative provides an improvement in grid reliability*) –

Establishing procedures to promote cost-effective transmission investment will improve grid reliability by helping to ensure that available resources are utilized in an optimal fashion to develop transmission solutions best suited to maintain system reliability.

Improving Overall Market Efficiency (*provide a detailed explanation of how and why this initiative provides an improvement in grid reliability*) –

As the ISO frequently states, overall market efficiency and grid reliability are interrelated. Deploying available investment resources in a cost-effective manner will promote both overall market efficiency and grid reliability. Failing to implement measures to mitigate unnecessary increases in transmission costs will distort resource development decisions.

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Market Participant Implementation Impact (\$ and resources) *(provide a detailed explanation of what you expect the impact to be in terms of \$ and resources) –*

This initiative poses challenging policy issues, but many or most issues are conceptual and will not require modifications to software or market processes. The commitment of market participant resources, therefore, is likely to be moderate, and the benefits of developing effective measures to mitigate transmission cost increases will far outweigh the costs of resources devoted to the effort.

ISO Implementation Impact (\$ and resources) *(provide a detailed explanation of what you expect the impact to be in terms of \$ and resources) –*

The evaluation of market participant implementation impacts described above also applies to the ISO - - moderate commitment of resources potentially resulting in offsetting benefits of much greater magnitude.

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So. Cal. Cities' Initiative 2: Mitigating Transient Price Spikes, Real-Time Imbalance Energy Offset (RTEIO)/Real-Time Congestion Offset (RTCO) (Catalog Item 4.12)

High Level Prioritization Criteria Matrix

		Criteria	HIGH	MEDIUM	LOW	NONE	Your Score
			10	7	3	0	Use 0, 3, 7, or 10
A	Benefit	Grid Reliability	Significant Improvement	Moderate Improvement	Minimal Improvement	No Improvement	7
B		Improving Overall Market Efficiency	Significant improvement	Moderate improvement	Minimal improvement	No impact	10
C		Desired by Stakeholders	Universally desired by stakeholders	Desired by majority of stakeholders	Desired by a small subset of stakeholders	No apparent desire	X
D	Feasibility	Market Participant Implementation Impact (\$ and resources)	No Impact	Minimal Impact	Moderate Impact	Significant impact	3
E		ISO Implementation Impact (\$ and resources)	No Impact	Minimal Impact	Moderate Impact	Significant impact	3
						Total	23

Grid Reliability (provide a detailed explanation of how and why this initiative provides an improvement in grid reliability) –

While the primary objective of this initiative is enhancing market efficiency, the measures implemented to minimize real-time price spikes, imbalance energy offset costs, and real-time congestion offset costs also should increase grid reliability.

Improving Overall Market Efficiency (provide a detailed explanation of how and why this initiative provides an improvement in grid reliability) –

Real-time price spikes that do not reflect supply/demand balance and uplifts associated with imbalance energy offsets and real-time congestion offsets are inherently inconsistent with

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efficient market outcomes. Implementing effective measures to minimize such market distortions will result in substantial improvement in market efficiency.

Market Participant Implementation Impact (\$ and resources) *(provide a detailed explanation of what you expect the impact to be in terms of \$ and resources) –*

Given the potentially broad but as yet undefined nature of measures that may be necessary and appropriate to mitigate real-time price spikes, imbalance energy offset costs, and real-time congestion cost offsets, it is reasonable to assume moderate commitment of market participant resources.

ISO Implementation Impact (\$ and resources) *(provide a detailed explanation of what you expect the impact to be in terms of \$ and resources) –*

Given the potentially broad but as yet undefined nature of measures that may be necessary and appropriate to mitigate real-time price spikes, imbalance energy offset costs, and real-time congestion cost offsets, it is reasonable to assume moderate commitment of ISO resources.

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So. Cal. Cities' Initiative 3: Real-Time Congestion Uplift Cost Allocation and Review of Convergence Bidding Uplift Allocation (Catalog Items 8.4 and 8.5 Combined)

High Level Prioritization Criteria Matrix

		Criteria	HIGH	MEDIUM	LOW	NONE	Your Score
			10	7	3	0	Use 0, 3, 7, or 10
A	Benefit	Grid Reliability	Significant Improvement	Moderate Improvement	Minimal Improvement	No Improvement	7
B		Improving Overall Market Efficiency	Significant improvement	Moderate improvement	Minimal improvement	No impact	10
C		Desired by Stakeholders	Universally desired by stakeholders	Desired by majority of stakeholders	Desired by a small subset of stakeholders	No apparent desire	X
D	Feasibility	Market Participant Implementation Impact (\$ and resources)	No Impact	Minimal Impact	Moderate Impact	Significant impact	7
E		ISO Implementation Impact (\$ and resources)	No Impact	Minimal Impact	Moderate Impact	Significant impact	7
						Total	31

Introductory Comment: The So. Cal. Cities propose to combine Items 8.4 and 8.5 in the November 5, 2013 version of the Stakeholder Initiatives Catalog to establish a single initiative to reform the allocation of uplifts associated with real-time congestion and convergence bidding. At this time, all uplifts associated with real-time congestion and convergence bidding are allocated to Measured Demand. That allocation approach is inconsistent with the cost causation principle and therefore unreasonable. Multiple load-serving entities, including the Six Cities and Southern California Edison Company, repeatedly have urged the ISO to address the inappropriate allocation of uplift costs. The ISO repeatedly has deferred consideration of uplift allocation in previous stakeholder proceedings, promising that it would undertake a comprehensive review of existing cost allocation methodologies. Now, however, the ISO proposes to delete Item 14.2 (Cost Allocation Overall Market Review) from the Stakeholder Initiatives Catalog (see Catalog pages 63-64), claiming that it will abide by the cost allocation principles “in all future incentives in these areas.” Load within the ISO BAA has been saddled

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with hundreds of millions of dollars in uplift costs associated with real-time congestion and convergence bidding over the past several years. There is no justification for allowing an allocation methodology for uplifts that is inconsistent with the cost causation principle to remain in place. As the ISO clearly has no intention of conducting a comprehensive review of cost allocation methodologies as previously promised, it should establish an initiative to review the method for allocating uplift costs now.

Grid Reliability *(provide a detailed explanation of how and why this initiative provides an improvement in grid reliability) –*

Although reliability impacts of cost allocation methods generally are indirect, allocation of costs in accordance with the cost causation principle will discourage the exercise of strategic and/or manipulative bidding strategies, thereby enhancing reliability.

Improving Overall Market Efficiency *(provide a detailed explanation of how and why this initiative provides an improvement in grid reliability) –*

As noted above, all uplifts associated with real-time congestion and convergence bidding currently are allocated to Measured Demand. The failure to allocate such uplift costs to the market participants that either create the uplifts or benefit from actions that create the uplifts distorts price signals and creates incentives for inefficient and/or manipulative activity. The So. Cal. Cities' Initiative 2 above encourages the ISO to pursue efforts to reduce the magnitude of uplifts. Establishing a parallel initiative to implement allocation of uplift costs consistent with the cost causation principle will further contribute to market efficiency.

Market Participant Implementation Impact (\$ and resources) *(provide a detailed explanation of what you expect the impact to be in terms of \$ and resources) –*

There is no reason to expect that allocation of uplift costs in a manner that is consistent with cost causation should require substantial resource commitments either by market participants or by the ISO. Implementation impacts in terms of costs to Market Participants and the ISO should be minimal and far outweighed by the benefits of aligning cost allocation more closely with cost causation.

ISO Implementation Impact (\$ and resources) *(provide a detailed explanation of what you expect the impact to be in terms of \$ and resources) –*

See the discussion on Market Participant Implementation Impacts above.

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So. Cal. Cities' Initiative 4: Protocol(s) for Simulation and Testing of New Models, Design Changes, or Products (Catalog Item 12.12)

High Level Prioritization Criteria Matrix

		Criteria	HIGH	MEDIUM	LOW	NONE	Your Score
			10	7	3	0	Use 0, 3, 7, or 10
A	Benefit	Grid Reliability	Significant Improvement	Moderate Improvement	Minimal Improvement	No Improvement	10
B		Improving Overall Market Efficiency	Significant improvement	Moderate improvement	Minimal improvement	No impact	10
C		Desired by Stakeholders	Universally desired by stakeholders	Desired by majority of stakeholders	Desired by a small subset of stakeholders	No apparent desire	X
D	Feasibility	Market Participant Implementation Impact (\$ and resources)	No Impact	Minimal Impact	Moderate Impact	Significant impact	3
E		ISO Implementation Impact (\$ and resources)	No Impact	Minimal Impact	Moderate Impact	Significant impact	3
						Total	26

Grid Reliability (provide a detailed explanation of how and why this initiative provides an improvement in grid reliability) –

Developing standard protocols and parameters for testing and/or simulation of new models, design changes, or products would provide a substantial contribution both to grid reliability and to overall market efficiency by promoting structured and comprehensive evaluation of the anticipated effects of changes in models, market design, or products prior to the implementation of such changes. Having in place pre-established, structured criteria and processes for testing and simulation will help to minimize implementation problems and unintended consequences that can occur with market changes. Improving the testing and simulation processes will have substantial benefits both for grid reliability and overall market efficiency.

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Improving Overall Market Efficiency *(provide a detailed explanation of how and why this initiative provides an improvement in grid reliability) –*

See the discussion above regarding beneficial impacts both on grid reliability and market efficiency.

Market Participant Implementation Impact (\$ and resources) *(provide a detailed explanation of what you expect the impact to be in terms of \$ and resources) –*

Because this initiative would involve extensive technical analysis and potentially require software development, this initiative likely would require at least moderate resource commitments by both Market Participants and the ISO.

ISO Implementation Impact (\$ and resources) *(provide a detailed explanation of what you expect the impact to be in terms of \$ and resources) –*

See the discussion above regarding implementation impacts on Market Participants, which also are applicable to the ISO.

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So. Cal. Cities' Initiative 5: Flexible Term Lengths of Long Term CRRs and Multi-period Optimization Algorithm for Long Term CRRs (Catalog Items 7.2 and 7.5 Combined)

High Level Prioritization Criteria Matrix

		Criteria	HIGH	MEDIUM	LOW	NONE	Your Score
			10	7	3	0	Use 0, 3, 7, or 10
A	Benefit	Grid Reliability	Significant Improvement	Moderate Improvement	Minimal Improvement	No Improvement	7
B		Improving Overall Market Efficiency	Significant improvement	Moderate improvement	Minimal improvement	No impact	10
C		Desired by Stakeholders	Universally desired by stakeholders	Desired by majority of stakeholders	Desired by a small subset of stakeholders	No apparent desire	X
D	Feasibility	Market Participant Implementation Impact (\$ and resources)	No Impact	Minimal Impact	Moderate Impact	Significant impact	7
E		ISO Implementation Impact (\$ and resources)	No Impact	Minimal Impact	Moderate Impact	Significant impact	0
						Total	24

Introductory Comment: The So. Cal. Cities propose to combine Items 7.2 and 7.5 in the November 5, 2013 version of the Stakeholder Initiatives Catalog to establish a single initiative to develop a multi-period optimization algorithm for long term CRRs and to establish flexible term lengths for long term CRRs. It is appropriate to combine these initiatives, because the development of a multi-period optimization algorithm for long term CRRs will enable implementation of flexible term lengths for long term CRRs. As described below, optimizing CRRs on a multi-period basis and providing flexible term lengths for long term CRRs will enhance both grid reliability and market efficiency by supporting multi-year forward resource procurement.

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Grid Reliability *(provide a detailed explanation of how and why this initiative provides an improvement in grid reliability) –*

Optimizing long term CRRs on a multi-period basis and enabling flexible length long term CRRs will enhance grid reliability by facilitating multi-year forward resource procurement. This will provide the ISO greater assurance that resources necessary to maintain grid reliability in future years will be available when needed.

Improving Overall Market Efficiency *(provide a detailed explanation of how and why this initiative provides an improvement in grid reliability) –*

The combined initiative supported by the Cities will enhance overall market efficiency by reducing risks associated with long term resource procurement and allowing market participants to consider forward-looking requirements in making resource procurement decisions.

Market Participant Implementation Impact (\$ and resources) *(provide a detailed explanation of what you expect the impact to be in terms of \$ and resources) –*

The Cities anticipate that implementation impact (in terms of resource commitments and implementation burdens) will be minimal for market participants. The benefits of providing greater certainty with respect to economic analyses of forward resource procurement decisions will far outweigh implementation costs.

ISO Implementation Impact (\$ and resources) *(provide a detailed explanation of what you expect the impact to be in terms of \$ and resources) –*

Because the development of a multi-period algorithm for optimization of long term CRRs will require potentially complex software modifications, the Cities consider the implementation impact on the ISO to be significant. However, the grid reliability and market efficiency benefits resulting from the facilitation of forward resource procurement will more than justify the resource commitments necessary for the development of the required software.