Summary Discussion: This paper provides a straw-proposal regarding whether all or a subset of constraints should be considered in the competitive path analysis.

Key Principles/Observations: The following are key principles in addressing this question.

- An objective approach for competitive path determination is strongly preferred over a subjective approach;
- It is highly desirable to have an approach that can ultimately be mechanized such that – though complex – the approach can be applied in an automated manner;
- Given that the competitive path determination is not an input for software, the ISO and market participants have substantial time to apply the methodology. Though it would be desirable to file the approach by November, the application of the approach may not need to be completed until after that time.

Proposed Resolution:

It is important that the CA ISO competitive path analysis be viewed as objective and comprehensive. As such the methodology must address all constraints in the CA ISO grid.

Constraints can be assessed by using more than one assessment methodology to the extent that the effort to apply the preferred competitive path methodology is dependent upon the number of constraints.¹ For example, a constraint that is never congested in the LMP study would seem to not warrant further analysis to manage expected risk of potential market power regarding congestion on that constraint. This suggests that by defining a congestion price threshold, the ISO may be able to remove a large number of constraints from consideration based on the fact that such constraints are never expected to be congested. Such a threshold, be it $1000 per year or $0 per year, should be applied consistently. The competitive path assessment methodology should then be applied to all constraints that are outside of that threshold.

Impacts of Not Assessing all Constraints:

There would be at least two undesirable outcomes should the ISO choose an approach that requires a pre-screening that deems without analysis objective analysis certain constraints to be non-competitive.

- First, it would open the ISO’s process up to significant after-the-fact criticism. Any subjectivity in the ISO’s approach causes that to be true.

- Second, such an approach will simply shift the process burden to determining which constraints will be considered as eligible for the non-competitive screening. Selecting candidate paths will be the crux of the analysis and all the effort on the part of market participants and the ISO will have to be devoted to this candidate selection process in a robust manner. In other words, choosing a smaller set of candidate constraints may simply be a perceived simplification. In fact, stakeholder participation around the candidate list would likely be more time consuming if the approach is taken to not address such constraints objectively and analytically.

¹ To the extent the effort is nominal to simply apply the methodology to all constraints, then there is little value to applying a “screening” type methodology.