

## **Comments of TransAlta Corp. on Draft 2015 Stakeholder Initiatives Catalog Ranking**

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TransAlta appreciates the opportunity to comment on CAISO's rankings of discretionary initiatives found in its November 19, 2014 "Draft 2015 Stakeholder Initiatives Catalog." TransAlta believes the CAISO stakeholder process provides an important opportunity to solicit Stakeholder input and to address Stakeholder's concerns.

This year CAISO has chosen to rank its stakeholder initiatives prior to providing stakeholders the opportunity to comment. This approach seemingly removes transparency in the ranking process and reduces stakeholder engagement.

TransAlta suggests the CAISO return to its practice in prior years where CAISO provided stakeholders with the opportunity to individually rank the initiatives prior to providing its own ranking. This approach provided significant amount of information both to stakeholders and the CAISO and created a more transparent process. It also facilitated ongoing dialogues amongst stakeholders allowing them both to better understand their counterparties' positions and CAISO's position in relation to the diverse market initiatives.

TransAlta understands stakeholders and CAISO have limited resources and time. Thus the need to prioritize initiatives is a necessity. The stakeholder initiative represents a unique, low resource cost opportunity for stakeholders and the CAISO to look at the full breadth of the market and to examine initiatives aimed increasing the market's efficiency. As a result, TransAlta feels it is important for CAISO to continue to support and develop a transparent process for engaging stakeholders in the catalogue ranking initiative as these initiatives will eventually have significant impacts on the stakeholder's activities and interests.

TransAlta fully supports the CAISO's stakeholder processes and thanks for CAISO general efforts to engage stakeholder. TransAlta provides the following comments on CAISO's ranking of discretionary initiatives:

Ref #	Initiative	CAISO Rank							Priority		TransAlta Comments	
		Grid Reliability	Market Efficiency	Stakeholder Desire	Benefit	MP Costs	ISO Cost	Feasibility	Total	CASIO		TA
2.5	Full Network Model Expansion – Phase 2	7	7	3	7	3	3	6	23	Mid	Low	Given the operational issues the ISO has faced in implementation of the FMM, EIM and the FNM Phase 1, particularly in terms of pricing, it is not yet clear the ISO high ranking of this initiative both in terms of Reliability and Market Efficiency is justified at this junction. TransAlta feels additional operational experience and evidence should be gathered support this ranking. TransAlta understands and supports the potential value of this initiative; however, it believes it should be delayed and considered a low priority for 2015 until CAISO gains additional operational experience
7.3	Implement Point-to-Point Convergence Bids	3	7	7	17	3	3	6	23	Mid	Mid	TransAlta agrees with the ISO ranking and feels the addition of point-to-point convergence bidding would add to market efficiency.
3.13	Price Formation at the Interties	0	3	3	6	7	7	14	20	Low	High	Given some of the significant price volatility experience recently on the interties, TransAlta suggests a higher ranking especially in terms of its impacts on market efficiency on the intertie. In addition, it is not clear how the ISO determined whether this was supported by a large or small subset of the stakeholders. These two items should raise the rank of this item to high.
7.4	Review of Convergence Bidding Uplift Allocation	0	3	7	10	7	3	10	20	Low	Low	No Comment on ranking.
6.1	CRR Enhancements to address Revenue Inadequacy				0			0	No Rank	No Rank	No Rank	No Comment on ranking.

4.1	Consideration of Non-Resource Adequacy Import Energy in Residual Unit Commitment Process	3	7	7	17	10	3	13	26	Mid	Mid	No Comment on ranking.
3.5	Extended Pricing Mechanisms	3	7	7	17	7	0	7	24	Mid	High	Changes that more correctly included pricing of resources into an ISO market could have significant impacts on grid reliability especially if it more correctly optimized the grid relative to operator interventions. This could notionally lead to a more efficient mix of resource thereby impacting grid reliability more than ranked.
6.8	Review Congestion Revenue Right Clawback Rule	0	7	3	10	7	7	14	24	Mid	Mid	No Comment on ranking.
11.5	Combined Demand Response Product	3	7	7	17	7	0	7	24	Mid	Mid	No Comment on ranking.
6.9	CRR Allocation	0	3	3	6	7	7	14	20	Low	No Rank	CRR allocation could likely lead to more than a minimal impact on Market Participants particularly on the ability to hedge imports/exports. In addition, a change to allocation would likely require a significant stakeholder and FERC filing process (i.e. high CAISO & MP resource draw). The ranking should reflect this potential impact.
7.1	Allowing Convergence Bidding at CRR Sub-Load Aggregation Points	0	3	3	6	7	7	14	20	Low	Mid	Each of these products has the potential to more efficiently settle the market. Given their potential impact on Market Efficiency and Improved Grid reliability, TransAlta suggests these categories may be ranked too low.

6.3	Flexible Term Lengths of Long Term Congestion Revenue Rights	0	3	3	6	7	3	10	16	Low	Mid	Each of these products has the potential to more efficiently settle the market. Given their potential impact on Market Efficiency and Improved Grid reliability, TransAlta suggests these categories may be ranked too low.
6.5	Long Term Congestion Revenue Right Auction	0	3	3	6	7	3	10	16	Low	Mid	Each of these products has the potential to more efficiently settle the market. Given their potential impact on Market Efficiency and Improved Grid reliability, TransAlta suggests these categories may be ranked too low.
6.6	Multi-Period Optimization Algorithm for Long-Term Congestion Revenue Rights	0	3	3	6	7	3	10	16	Low	Mid	This would be required to operationalize 6.5 so is ranked accordingly.
7.2	Convergence Bidding Clawback	0	3	3	6	7	7	14	20	Low	Low	No Comment on ranking.
6.4	Insufficient Congestion Revenue Right Hedging	0	3	3	6	7	7	14	16	Low	Low	No Comment on ranking.
8.6	Multi-Year Import Allocation Process				0			0	No Rank	No Rank	Mid	Setting RA requirements over a longer period would have the benefit of increasing market stability, grid reliability and should be relatively desirable to market participants. In addition, a LT RA import allocation would provide more certainty and reduce risk for resources outside of California. The costs of establishing this process could be relatively low given the annual process already in place could be adjusted to contemplate a longer time frame.

The orange highlighted areas denote areas where TransAlta feels a change in CAISO's ranking could be considered.