

Western Power Trading Forum Comments on the Market Design Catalog

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October 23, 2013

WPTF appreciates the opportunity to submit comments on the CAISO Market Design Catalog and process. WPTF offers the following comments.

The ISO should clarify the treatment of the market design elements relative to other initiatives.

WPTF notes that while the ISO conducts a detailed and specific cataloging and ranking process the ISO's resources are often spent on activities outside of the set of the initiatives that ranked high in the prior cycle. For example in 2013 resources spent on the EIM were diverted from other initiatives that had ranked high in the prior year. WPTF seeks clarification of the relevance of the cataloging process, and we ask the ISO to be more explicit about the criteria that is used to set aside the results and work on other – non-ranked – initiatives such as the EIM.

The ISO should revisit the limitation on five market design initiatives and the requirement to re-rank prior year's priority items.

WPTF asks the ISO to relax its requirement that market participants only rank five initiatives. A limit of five is very restrictive, especially given the diversity and number of possible initiatives across all the DA, RT, RA, flexibility etc. topics. As long as participants do not rank an item more than once such a relaxation should not bias the results. Rather it would provide a more complete data set from which the ISO could determine the collective preferences. WPTF also asks that the ISO rethink the need for participants to re-rank elements that ranked high in the subsequent year's process yet were not able to be pursued by the ISO during the subsequent year (e.g., extended pricing mechanisms). Unless the situational conditions change to warrant re-ranking, requiring participants to trade off with the design element again can limit a participant's ability to support the newly identified items – especially if the ISO wishes to maintain a five-initiative limit on a participant's ranking.

We offer the following comments specific to initiatives

- ISO initiative 2.2 – Full Network Model: WPTF asks that the ISO split this into two initiatives. The ISO has labeled this item as non-discretionary. Whereas the need for the ISO to have visibility into the flows of other markets is important for reliability, it is also separable from the proposed realm of changes associated with new scheduling and settlements provisions. WPTF expects that the ranking on these two aspects would be different for many market participants. Dividing them would provide the possibility of greater consensus on the non-discretionary changes and potentially save a significant amount of ISO bandwidth if participants rank the scheduling and settlements aspects as a lower priority than other elements.

- ISO initiative 3.3 – Differential Curtailment Priorities for Overgen Events: WPTF requests that the ISO provide an expanded description of this element to inform the subsequent ranking. Of interest for example is the ISO’s view of the extent to which the FRAC MOO initiative may alleviate the need for such a set of curtailment priorities. With significantly more downward bids under FRAC MOO we would expect this to be the case, and if it is then WPTF may wish to reserve the ISO’s energies and not select this element as a high priority one. Please provide further detail about what this initiative would offer incremental to FRAC MOO.
- ISO initiative 3.5 - DLAP Proxy Demand Response: We also seek further information on this element. Specifically we recall an explicit design choice being made during the design phase of MRTU to not allow Demand Bids to select DLAP settlement. Allowing such it seems could create incentives to “cherry pick” the pricing regime depending on the node’s pricing relative to that of its DLAP. Please offer prior to the ranking process an initial reaction of ISO staff and/or DMM on whether this option has been excluded in times past for such reasons or whether such an initiative would likely run afoul of good market design practices.
- ISO initiative 3.7 - Extended Pricing Mechanisms: this element was included in the “top five” list of very high priority items in 2012, and no changes have occurred that would alleviate the need for such an initiative. WPTF suggest that the ISO should consider this an in-process initiative and not require it to be ranked in the top five two years in a row to be selected to be designated as an active initiative. Also, WPTF seeks clarification as to why a regional flexi-ramp product would result in having the minimum load energy priced into the market. Please provide further information about this possibility as described in the initiative’s “cross reference”.
- ISO initiative 3.9 - Mitigating Transient Price Spikes: WPTF suggest that the ISO delete this as an initiative. The ISO is pursuing a number of initiatives to address price spikes including flexi-ramp, FRAC MOO, improved BCR, contingency modeling and the FNM expansion. This initiative as drafted seems to only offer the possibility that the ISO would mitigate prices of any remaining price spikes. In addition to this seeming inappropriate to WPTF, this initiative seems entirely premature without the observation of the effects of the other initiatives on price spikes.
- ISO initiative 3.11 – Regional Flexible Ramping Product: WPTF seeks further clarification on the extent to which the ISO staff believes this item to be timely for 2014 as opposed to – for example – accumulating results from the FRP during part of 2014 and then reconsidering this element for 2015. In many respects it seems premature to pursue this initiative at this time – especially in light of the fact that a localized procurement would “be messy” in that it may carry with sense that market power mitigation would be required for FRP. We ask that the ISO clarify the extent to which the staff sees a strong need to consider this topic in 2014 as part of the next catalog revision to inform our ranking.
- ISO initiative 5.5 – Voltage Support: WPTF has commented in years past that we understand this to be a FERC mandated item. Please change the designation on this item to reflect FERC’s direction to the ISO to consider compensation for voltage support or otherwise rationalize why this is designated as “discretionary”.

- ISO initiative 8.6 – Use-Limited RA and MOO: WPTF finds this redundant to the FRAC MOO process vigorously underway. Please eliminate this item or narrow it to the scope that is not being addressed as part of FRAC MOO. It is otherwise ambiguous.
- ISO Initiative 8.7 – Voluntary DR Auction: This seems redundant with initiative 8.2 on the Joint Reliability Framework. We seek clarification on why a separate initiative would be needed and why this initiative wouldn't naturally be encompassed in 8.2.
- ISO Initiative 9.1 – EIM TAC: WPTF finds this initiative ambiguous given the ISO's latest EIM proposal in which the ISO conveyed the schedule for addressing the EIM TAC charge. In light of that EIM proposal WPTF expects that this would simply be a FERC-mandated item based on the ISO's commitment as part of the current EIM design to resolve the EIM TAC starting in 2014. Please indicate that stakeholders do not need to rank this item, clarify what about this initiative would be incremental to what the ISO is already committing to as part of its EIM design, or indicate that the ISO plans to remove the commitment to address the EIM TAC in 2014 from its EIM design proposal.
- ISO Initiative 11.7 – GHG Rules [for less than 25,000 ton emitters]: Please clarify why this warrants an initiative as opposed to simply a recognition from the ISO that the GHG provisions would extend to such units in 2015. Certainly to the extent that the rules apply, the ISO's encompassing of these resources is necessary, but it seems odd for this to be a full-blow "initiative" and be ranked against others in the catalog.

Additional Catalog Items for Consideration

WPTF requests that the following items be added to the catalog for ranking.

- Eliminating unpriced constraints: WPTF requests that the ISO add a catalog element to continue to develop market-based (e.g., mechanisms that result in direct price signals) mechanisms all the constraints in its market. We understand that the contingency modeling enhancements will address some of the constraints in the market today, but we seek an incremental initiative that will explore all the unpriced constraints and find market mechanisms for each of them.
- Develop a process for enforcing/unenforcing constraints: the ISO market would significantly benefit from a process around, and clear communication regarding, the enforcing and unenforcing of market constraints.
- Improved transparency on market outcomes: Market outcomes are often impossible for market participants to understand. WPTF requests the ISO add an item to consider reporting on some of the ISO market impacts that require further transparency such as MOCs, RUC changes, other operational changes, and other significant changes driving the market.
- Transmission outage reporting: Initiative 6.1 – Economic Outage Determination – addresses criteria for transmission outage scheduling. WPTF requests a new initiative be added, or that this initiative be expanded, to maximize the information known to market participants, including providing advanced notice of transmission outages, consistent with practices of other ISOs/RTOs.

Thank you for your consideration.