Stakeholder Comments Template

Subject: Commitment Cost Enhancements Phase 3

Submitted by	Company	Date Submitted
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WPTF thanks the CAISO for putting together the Commitment Cost Enhancements Phase 3 (CCE3) July 20th Technical Workshop and appreciates the opportunity to provide comments. WPTF provides comments in three areas. The first two areas are important aspects of the general policy, while the final area answers questions from the comments template.

There should be a stronger connection between CCE3 and Bidding Rules Enhancements Initiatives:

WPTF encourages the CAISO to further link the schedule and policy of the CCE3 initiative with the Bidding Rules initiative. WPTF appreciates that the implementation schedules are in synch and both are targeted for a Fall 2016 implementation. However, the CCE3 policy initiative seems to be scheduled to go to the board well in advance of the bidding rules policy.

WPTF continues to have a strong preference for daily biddable start up and minimum load costs without a cap or at a cap significantly higher than 125% plus an opportunity cost adder. Using the opportunity cost methodology to develop an opportunity cost adder to a start-up or minimum load cost cap, as was implied in the CCE3 workshop, fails to appreciate the possibility that biddable start up and minimum loads will be fully biddable. The ISO should adjust the stakeholder process timelines or otherwise link the stakeholder initiatives such that the bidding rules process can allow first for development of biddable start up and minimum loads. One potential outcome is that opportunity cost is only used for default energy bids or as a part of an after-the-fact check on whether a resource’s start-up or minimum load bid exerted market power.

Use-limited resources should be able to retain the use-limit reached RAAIM exemption:

Although the opportunity cost methodology is applicable to all CAISO resources, the original purpose of the policy was to allow Resource Adequacy (RA) use-limited resources to manage their limitations through economic bidding rather than forced outages. This would therefore allow the CAISO to fully assess the majority of resources under the Resource Adequacy Availability Incentive Mechanism (RAAIM) and more equally assess all RA resources.

The opportunity cost mechanism should remove the need for the “short-term use limit reached” outage exemption from RAAIM for resources that have a calculable or negotiated cost. However, it does not remove the need for the “annual or monthly use-limit reached” outage exemption for resources that have used up all their limitations in the month or year. Maintaining the annual and monthly use-limit outage designations is consistent with the CAISO’s RSI phase 1 policy plan, and it would ensure that resources are not unduly penalized under RAAIM if they reach their limitation prior to the end of the month or year.[1]

Feedback on modeling and recalculation of the opportunity cost:

WPTF appreciates the CAISO engaging in a discussion on whether and how to update the opportunity cost methodology. We believe it important that the ISO be able to update the calculated opportunity cost if actual conditions substantively deviate from those assumed in the prior calculations. Both scheduled and unscheduled updates may be necessary if prices start to systematically deviate from the forecast used to calculate the opportunity cost. WPTF has the following comments in regards to opportunity cost model reruns:

(1) WPTF strongly supports Option 1- rerunning the model for April – December and adjusting the resource’s available limits by actual usage (i.e. actual number of starts, run time, MWhs dispatched). Without using real dispatch information, the model may mis-state the future opportunity cost and may prevent the scheduling coordinator from being able to fully optimize the resource.

(2) A scheduling coordinator should be able to request an opportunity cost model update if CAISO dispatches are significantly different that the opportunity cost model predicted. WPTF understands it would be unreasonable to require the CAISO to update multiple times per month for a single resource; however, scheduling coordinators could have the ability to ask for a rerun a certain number of times per month or year. WPTF encourages the ISO to consider this possibility.

(3) The CAISO requested feedback on the best choice of statistical software to calculate opportunity cost, be it General Algebraic Modeling System (GAMS) or Statistical Analysis System (SAS) software. WPTF supports using SAS given our current understanding. The CAISO’s analysis indicates that the opportunity costs calculated will be very similar using either software program; however, SAS will take much less time to model each resource. WPTF is concerned that the more complicated the energy market gets, the longer GAMS may take to run. This may prohibit reruns during the year or within the month even if conditions clearly deviate from expected conditions. Therefore, if WPTF understands this trade-off between speed and precision correctly- we support using SAS.

[1] Because high prices are unlikely to fall on the exact last day of each month, it is unlikely that a use-limited resource optimally bidding into the market will not reach its limit on some months.

(4) WPTF seeks more information on scheduled reruns. Could scheduled reruns adjust the opportunity cost downward? That is, assuming the opportunity cost is used as an adder to the start-up cost, minimum load cost, or default energy bid (DEB), could a rerun of a resources opportunity cost potentially reduce the allowed start-up and minimum load costs and DEB mid-month? Also, what affect would rerunning the entire year have on the monthly values?