

May 25, 2016

WPTF appreciates the opportunity to submit these comments on the [CAISO's May 5, 2016 Stepped Transmission Constraint Issue Paper](#).

WPTF offers several comments herein.

Transmission Constraint Relaxation Parameter

The CAISO proposes to revise its current \$1500/MWh transmission constraint relaxation parameter to the following stepped constraints:

1. 230kV and above
 - a. \$750 scheduling parameter for below 2% in exceeding the original limit
 - b. \$1500 scheduling parameter for 2% or more in exceeding the original limit
2. 115kV and lower
 - a. \$500 scheduling parameter for below 2% in exceeding the original limit
 - b. \$1000 scheduling parameter for 2% or more in exceeding the original limit

The CAISO believes that this would improve efficiency by using “large ineffective re-dispatch for small amounts of congestion flow relief without a material degradation to system reliability”.

WPTF disagrees with the premise of this change. First, it is not more efficient to relax a parameter rather than solve it economically. Second, there is no assurance that the proposed stepped parameter will result in avoiding “in-effective” redispatch. In fact it would treat effective and in-effective sources alike.

WPTF does not support this change for these reasons as well as the following.

- First, if a path could afford to accommodate 2% higher flow it would be much more efficient for the ISO to re-rate the path rather than relax the constraint. This would create the most efficient solution.
- Second, at a relaxation price of \$750/MWh, highly effective sources could be ignored even if they were offering economic bids. In effect this reduces the bid cap for congestion management to \$750/MWh rather than \$1000/MWh.
- Third, given the expected increase in supply-side demand response resources, which are typically the only resources that routinely bid at the \$1,000/MWh bid cap, WPTF wonders whether this change would particularly disadvantage demand response resources.
- Forth, with respect to the low voltage constraints, this result of ignoring very effective sources that are economically bid (e.g., with bids less than \$1,000/MWh) would be exasperated for low voltage constraints if the CAISO set the relaxation at \$500. It is unclear to WPTF both why the

system economics should be ignored for resources with bids above \$500/MWh and why it is more appropriate to violate line limits for low voltage lines than it is for high voltage lines.

If the CAISO is particularly motivated by its belief that the events are “fleeting” then WPTF encourages the CAISO to provide data regarding the number of events of that duration relative to other events, and to also comment on why the CAISO would not simply remove the level of conservatism that the Issue Paper indicates the operators usually use. Lastly, any contemplated changes should be reserved until after the FRP is put into place, as the FRP may effectively resolve the ramping issues for which the CAISO seems to indicate there are ill effects.

Shift Factor Effectiveness Threshold

WPTF would like to see more information from the CAISO about the choice to reduce the effectiveness threshold while at the same time reduce the relaxation prices. While WPTF agrees it is better to consider a broader set of bids able to manage a transmission constraint, a .1% threshold would result in requiring 1,000 MWs of redispatch to achieve a 1 MW of relief. If for example there is a \$1 price difference to redispatch such unit, for example, that would mean that the 1 MW of relief would cost the system \$1,000/MW of relief – a cost that would exceed the ISO’s newly proposed relaxation price. It seems at odds to both lower the relaxation prices and to use a lower effectiveness factor cut off. WPTF would like more information about these seemingly competing proposals.

Further, WPTF questions the CAISO’s recommendation given the results cited in the paper that the run time would be adversely affected by 6 minutes – a further deviation away from aligning the western markets. And the CAISO makes no mention of what the proposal would be for the real-time market. Does the CAISO propose to delay each RT market run by 6 minutes to reduce the effectiveness factor?

Power Balance Constraint Relaxation

WPTF does not at this time support relaxing the power balance constraint. First, the CAISO seems to have not represented Dr. Harvey’s NYISO summary of NYISO relaxation. In the [presentation](#) Dr. Harvey discusses penalty prices to relax ancillary service products where the AS product may have been used for balancing energy. In the presentation the \$25/MW only applied to spinning reserves in the Eastern NY region, and other AS services had much higher relaxation prices. WPTF is unclear if the ISO’s proposal is to somehow change the co-optimization process or the AS relaxation prices, or if the CAISO has some other proposal. Certainly the ISO should not be allowed to simply violate the energy balance (it is not even clear what that would mean) and set a penalty price of only \$25/MWh. WPTF also does not see reference to the NYISO relaxation prices and quantities in Dr. Harvey’s presentation. We ask that to the extent the ISO wishes to consider such a relaxation further that more information be provided in the next paper about specifics of the proposal and with specific references to other ISOs’ policies.

Also, the reference to the Harvey presentation may be applicable for a fully co-optimized integrated market, but the EIM is a voluntary imbalance *energy* market. It doesn’t seem to be appropriate to apply these ancillary service relaxation prices to that energy market result.

Economic Relaxation of EIM Transfer Limit Constraint

WPTF does not at this time support the proposed change to move from a physical separation design when an EIM Entity fails its sufficiency test in exchange for a design that adds a penalty price. The constraint on transfers was put in place to ensure the reliability of respective areas. To convert sufficiency to an economic choice of the EIM Entity does not seem like a beneficial change. Further, such a model would – according to the CAISO’s proposal – create an uplift of costs that would be spread to those with loads or resources within the EIM. Alternatively when the markets separate as a result of the transfer constraint binding, the respective markets are still settled economically and the market prices then reflect the separated marginal costs. We prefer a design that maintains this market result rather than using an arbitrary administrative price to “forgive” insufficiency.

Lowering of the Bid Floor

WPTF is willing to consider further reduction in the bid floor. We would not advocate an immediate reduction to something symmetrical. A level of -\$300 may be appropriate to consider. With respect to managing overgeneration, WPTF would like additional information from the ISO regarding other possible mechanisms to enhance market responses to the overgeneration conditions, including the relaxation of export fees. We ask that the CAISO provide additional information in the next paper about the status of these other initiatives because WPTF views them as potentially more beneficial than simply lowering the bid floor. We also understand that there are still some erroneous dispatch results that impact the negative prices. WPTF would like to learn more from the ISO about the instances of negative pricing and the distribution of causes of the negative prices between system conditions and other causes that may be considered more erroneous in nature.

We appreciate the CAISO’s consideration of these comments.