

WPTF comments on Ancillary Service Procurement in HASP

August 19, 2009

The Western Power Trading Forum (WPTF) appreciates the opportunity to provide comments on the CAISO's HASP procurement.

WPTF continues to advocate for mechanisms that provide equal treatment across markets for all service providers. WPTF members have varying opinions about the merits of the HASP procurement of ancillary services. Notwithstanding those general differences, WPTF offers both a process comment and some specific comments about the CAISO's proposal.

WPTF is concerned that there has been an insufficient stakeholder process for this issue, that the combination of a short paper and a one-hour call has not provided enough of an opportunity for dialog on this topic. In fact, WPTF would like to again strongly encourage the CAISO to establish regular, monthly, in person meetings, with dates planned well into the future, where policy issues such as this and the other issues raised recently (e.g., MFU GMC charges, pool of resources in IFM, etc.) could be discussed in a face-to-face manner that is planned well in advance and supports quality discussions. (Conference calls do this less well.) A rapid succession of disparate calls and papers makes it challenging to properly understand and vet issues. In any event, on this particular AS HASP issue WPTF suggests the CAISO take more time and offer another opportunity for further discussion.

At this time we offer specific input on the following two specific issues associated with ancillary service procurement in HASP:

- Regarding the CAISO's proposal that ancillary services be awarded to the lesser of the dispatches for the two intervals, WPTF is unclear why a dispatch that spans from one operating hour into the next must be no greater than the previous hours' dispatch. WPTF would appreciate the CAISO's clarifying this or adjusting the proposal to remove the lesser of requirement.
- This proposal provides even more motivation for the CAISO to develop a mechanism to ensure market participants are made whole on an interval-by-interval basis when prices are changed. Relying on bid-cost-guarantees to compensate providers when prices are corrected below their offer price results in an insufficient level of compensation throughout the day because it takes revenues from one that the SC is relying up to cover its other costs and uses them to make up for losses when the CAISO erroneously dispatches a provider below their bid price. This compensation issue needs a specific plan for resolution in the very near future.

Thank you for your consideration on these issues.