Western Power Trading Forum’s Comments on the Competitive Path Assessment

WPTF appreciates the opportunity to comment on the CAISO’s most recent Competitive Path Assessment (CPA). We offer the following observations and suggestions.

1. The CAISO results to date, while perhaps somewhat indicative, are still very preliminary because they still do not reflect the numerous tolling arrangements that determine effective ownership of supply resources. Because results from the CPA are so sensitive to ownership shares, they will only be meaningful when the underlying data are complete and accurate. The CAISO should expedite the process of obtaining more complete information on ownership shares, update its database, and rerun the CPA. WPTF will work with its members to ensure that the surveys on tolling arrangements are completed and returned to the CAISO as quickly as possible.

2. If the CAISO actually plans to procure Ancillary Services (AS) on a regional basis rather than a grid-wide basis, then the CPA simulations should be designed and run using a more granular approach to AS procurement. Procuring AS on a regional basis will likely cause more generation to be committed for AS in aggregate than if AS are procured on a grid-wide basis. This means more energy should be available to meet load from generation that is committed to provide AS. The CAISO should address this issue in more detail, both in a short written discussion and by performing some additional simulation runs, to determine whether there is, in fact, a relationship between the number of AS regions and the competitiveness of certain transmission paths.

3. The CAISO finding with respect to the competitiveness of individual, underlying segments within a multi-segment transmission constraint appears to be too conservative. The study white paper suggests that while the CAISO may have tested and found individual segments of a multi-segment constraint competitive, they would be deemed uncompetitive simply because they belonged to another, aggregate constraint that was determined to be uncompetitive. For example, if segment A and segment B are competitive on their own, but a third constraint C = A+B is found to be uncompetitive, only the combined constraint of A+B should be deemed uncompetitive. A and B individually should not be found uncompetitive. We appreciate why it is important to deter market power abuses but an approach that is too conservative increases the number of prices that are determined administratively, thereby distorting investment and operating incentives.

4. We were pleased to learn that the CAISO reviewed its treatment of paths in the simulation cases where a portion of the load remained unserved. We continue to advocate for a more robust test, including more detailed seasonal assessments. The CAISO’s current criterion that deems any path uncompetitive when it fails the FI test for a single hour is more conservative than it needs to be. We encourage the CAISO to begin discussions of seasonal and/or more dynamic treatment.

5. We are somewhat concerned about the CAISO’s lack of inclusion of the N-1 contingencies when the CAISO thinks that it may invoke some of the contingencies in operations. It seems possible that applying one or more N-1 contingencies in the SCUC may cause additional units to be
committed in load pockets, and if this were emulated in the CPA it could cause fewer paths to fail the competitive test. Similarly, if the CAISO does invoke the N-1 contingencies, it should simultaneously remove any related derates it has made to the path ratings in lieu of having N-1’s modeled. If the CAISO were to use these higher ratings it seems paths may fail the competitiveness less often. If the CAISO continues to be unclear about how it will treat N-1s in operation, we request that the CAISO test the impact of including them in the CPA in lieu of the derates relative to not including them. This information should allow stakeholders to determine if the CPA is sensitive to this treatment or not.

Thank you for your consideration.