WPTF Comments on the CAISO’s Competitive Path Assessment

June 26, 2007

WPTF appreciates the opportunity to comment on the CAISO’s competitive path assessment. We offer our comments on a number of elements including the following:

1. Request for further information
2. General observations about the extent to which the test is just and reasonable
3. The treatment of “hard constraints” and the determination of “uncompetitiveness” of zonal constraints as a result
4. Support for CAISO further work incorporating contracts and updated network model info
5. Questions related to selection of Candidate Paths

1. Request for further information

WPTF requests that the CAISO make available the results from all of the scenarios rather than focusing on the low hydro, high load scenarios. This should include sensitivity analysis that examines competitiveness for different numbers of competitive suppliers – showing how often the FI is < 0 for each number of pivotal suppliers. WPTF would like the process to be informed with the broad range of results not simply the results from the extreme cases.

2. General observations about the extent to which the test is just and reasonable

The CAISO’s May 10, 2007 report provides significant evidence that – as currently formulated – the Competitive Path Assessment (CPA) is not just and reasonable. Based on the May 10, 2007 evaluation no intra-zonal interfaces are deemed competitive, yet the study only actually demonstrated that a very few paths have FI shown to be < 0 and the report primarily focused on the extreme low hydro, high load case. Several paths are only deemed uncompetitive as a result of the CAISO’s assignment of a negative FIs, many paths are deemed uncompetitive only in the summer, and it is expected that some paths would not be deemed uncompetitive but for the extreme low hydro/high load case and/or the simultaneous withholding of three different suppliers. WPTF hopes that the CAISO’s further consideration of the treatment of assigned negative FIs for violated hard constraints as discussed in 3, below, will resolve some of these issues, it continues to seem evident that the test is even more biased that was originally believed at the time of the CAISO’s 2005 MRTU filing.
3. The treatment of “hard constraints” and the determination of “uncompetitiveness” of zonal constraints as a result

WPTF encourages the CAISO to reconsider its treatment of cases of unserved load in the conduct of this CPA. The CAISO’s discovery of unserved load instances does not equate to a discovery of uncompetitive paths. Quite simply the model could reflect a lack of supply and demand when the three largest supplier’s supplies are artificially removed from the system. That does not indicate local constraint market power issue. Most certainly there exists no reasonable rationale for deeming all zonal paths as uncompetitive when some load is unable to be served in the CAISO’s modeling. WPTF requests that the CAISO either (1) assign soft constraints to the inter-zonal interfaces (consistent with the way in which the intra-zonal interfaces are modeled) and measure the resulting FIs, or (2) reconsider its action upon identifying instances of unserved load. Certainly busses that are topologically unrelated (e.g. via shift factors) to the location of the unserved load should not be deemed non-competitive in this situation. To the extent that existing zonal paths that have proven to be competitive over time fail to pass the competitiveness test, the viability of the FI in identifying truly non-competitive paths would need to be questioned.

4. Support for CAISO further work incorporating contracts and updated network model info

WPTF encourages the CAISO to complete its assessment of the impacts of contractual relationships on ownership and to re-run the competitive path assessment with this updated information. This assessment should also include a clear definition of what types of contractual arrangements constitute contractual control and how such control would be tracked on an ongoing basis. Similarly, WPTF recognizes that the network model the CAISO is using is dated and encourages the CAISO to employ an updated representation to the extent it does not require a disproportionate burden for the CAISO to do so.

5. Questions related to selection of Candidate Paths

WPTF requests further information about the candidate competitive path criteria. Section 4.9 of the white paper suggests that the CAISO performed extensive analysis to generate the list of candidate paths. Our understanding was that the CAISO would generate the list of candidate paths based on those that were congested greater than 500 hours. Please provide further information about analysis performed to reach the list of candidate paths indicated in Section 4.9 of the May 10, 2007 report.