

California Department of Water Resources State Water Project

Comments on CAISO's Contingency Modeling Enhancements Third Revised Straw Proposal

December 22, 2015

On December 10, 2015, CAISO presented and discussed the Contingency Modeling Enhancements (CME) Third Revised Straw Proposal. California Department of Water Resources State Water Project (CDWR) appreciates the opportunity to submit comments.

Comments:

CDWR is concerned that the CAISO's proposed Contingency CRR concept could result in negative impacts on the CRR Revenue Adequacy that could outweigh the benefits presented by the CAISO.

The CAISO description of Contingency CRRs suggests that Contingency CRRs would be very similar to Counter Flow CRR (CF-CRR). The CF-CRR was a concept introduced by CAISO at the beginning of the MRTU when the CAISO and Market Participants believed that allocating as many CRRs as possible would increase Market Participants chance of obtaining with CRR a similar congestion hedge provided by the pre-MRTU Existing Transmission Contracts (ETC). The past seven years of MRTU has shown the opposite: increasing the number of CRRs reduces the chances of meeting the CRR Revenue Adequacy since the unforeseen outages cannot be predicted and their negative impact on the CRR Revenue Adequacy depends directly on the number of CRRs in the CRR Market; this concept was widely discussed in the Load Granularity Enhancements Stakeholder process. CAISO's Department of Market Monitoring (DMM) has also indicated a concern regarding the award of unpurchased Contingency CRR's that may further affect revenue imbalances.

Since the current CAISO CRR design does not limit the amount of CF-CRR a Market Participant receives, there have been cases when CDWR was allocated a substantial amount of CF-CRR to "clear" an insignificant portion of the nominated CRR. In one example, 31.8 MW of CF-CRR were allocated to clear 0.1 MW of CDWR's nominated CRR from the trading hub (a total of 63.7 MW of CRR were allocated to CDWR, 31.9 MW of direct flow CRR and 31.8 MW of CF-CRR). CDWR is concerned by the potential for similar scenarios occurring if Contingency CRRs are allocated to clear the contingency constraint, resulting in a significantly increased amount of CRR being introduced into the CAISO CRR Market that could have a negative impact on the CRR Revenue Adequacy.

For the reasons described above, CDWR is concerned that the CAISO's proposal on Contingency CRR could have more negative impacts than benefits on CRR Revenue Adequacy since Contingency CRR will add more CRRs to the CRR Market. CDWR would prefer that CAISO focus its efforts on ensuring CRR Revenue Adequacy by resolving issues with the Counter Flow CRR as described in the Stakeholder catalogue. CDWR would prefer CAISO then focus on additional methods for ensuring CRR Revenue Adequacy such as those methods that have been proposed by the CAISO's (DMM).

Additionally, CDWR reiterates its previous comments on CME which were provided on July 1, 2013:

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CDWR believes CAISO should complete their prototype of the Preventative Corrective Constraint (PCC) and produce test data so stakeholders can better understand the cost impacts of this CME proposal.

CDWR believes CAISO should allocate costs based on the CAISO's cost allocation principles. Unless CAISO can verify that the benefits are system-wide through the results of the prototype analysis, CDWR does not support a system-wide cost allocation.