

Stakeholder Process - Contingency Modeling Enhancements

Comments Submitted by Vitol Inc.

Meeting: December 10th 2015

Comments Submitted: December 22nd 2015

Summary:

Vitol appreciates the opportunity to submit comments and questions pertaining to the Contingency Modeling Enhancement's Third Revised Straw Proposal.

Vitol is looking to comment and ask clarifying questions pertaining to the introduction of the CRR portion of the Third Revised Proposal. We are in agreement with the CAISO in that every effort needs to be made to preserve the integrity of the CRR product while thoroughly discussing and vetted any potential adverse or unintended financial consequences to CRR holders, Load and/or other market participants. Vitol suggests that the CAISO perform and make available several areas of analysis so that stakeholder and the CAISO are educated as it relates to the potential consequences associated with the N-1-1 events. Vitol believes that this analysis is needed to determine if there are material impacts and the magnitude of potential impacts, therefore an effort to determine if a final solution is necessary and if so, implementable with or without interim solutions.

Analysis:

- 1) Vitol suggests that the CAISO analyze the potential impacts on CRR underfunding based on its existing proposal. It would be important to CRR holders, load and other market participants to understand the potential for underfunding in an effort to balance a reasonable and cost effective approach.
- 2) Vitol suggests that the CAISO provide the potential cost of implementation associated with a "final" solution of modeling the N-1-1 scenarios within the CRR model.
 - Is this a feasible final solution? If so, what costs and time to implement would be necessary?
- 3) Vitol suggest that the CAISO provide the potential costs of implementation associated with the "interim" solutions provided below, if these solutions are reasonable options. This analysis would need to include costs associated with updating and providing sufficient transparency into the different components of the settlement prices in conjunction with the CAISO needed changes related to billing, settlements, and other areas of enhancements.
 - CCRRs – Counter Flow CRRs as presented in the CAISO's Third Revised Straw Proposal
 - Removal of 100% of the incremental congestion revenue associated with an N-1-1 event
- 4) Vitol suggest that the final implementation of the Contingency Modeling Enhancement should avoid the use of custom defined nomograms associated to transmission outages (SLIC based nomograms) and rely only on the use of a well know list of N-1 and N-1-1 list of valid contingencies that should be applied to CRR, DA and RT markets.

Conclusion:

Vitol suggests that for us to make an educated decision we need several missing pieces of information to determine the best avenue for us to pursue. We believe with the above information we can better

decipher a cost/benefit analysis of attacking the root problem with or without an interim solution (this is assuming that a true problem exists). At this point in time we are unclear with the potential impacts to CRRs and underfunding and believe that it's only prudent to analyze these potential impacts in an effort to properly and efficiently solve the underlying item.