

Western Power Trading Forum Comments on Post-Contingency Modeling Enhancement Straw Proposal

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WPTF appreciates the opportunity to submit these comments and in particular appreciates all of the ISO's efforts on its modeling enhancements. The information offered in the May 15, 2013 straw proposal related to the drivers behind the ISO's contingency needs is useful and aids in the consideration of the proper market structure.

WPTF supports the ISO's proposed approach to represent the post-contingency needs in the network model and to co-optimizing them with the balance of the system requirements. We vehemently support the ISO's perspective of the importance of providing for these needs through market mechanisms rather than through exceptional dispatch or minimum on-line constraints (MOCs).

WPTF seeks additional information from the ISO about how transparency will be provided as to the constraints enforced and their market impacts (e.g., clearing prices, etc.), and we would like more information at this time to confirm which constraints and contingencies will be modeled through this mechanism.

Lastly, we find it entirely appropriate to make the provision of post-contingency reserves a bid-based capacity service. The ISO found it appropriate to offer a bid-based product for flexible ramping. Further the ISO has indicated that the use of reserves would be appropriate if the constraints were more regional and less specific, and that - in fact - in other markets ancillary services are used to provide for post-contingency constraint reserves. Lastly, the ISO indicated that it intends to use operating reserves to meet these needs when doing so creates a least-cost solution. To not make this service one based on bids could create significant distortions between the various services, and no basis for doing so is evident. WPTF believes that if participants have virtually no cost for providing the service that bids will be at, or close to, zero. It is not necessary for the ISO to force the capacity value (above opportunity cost) to zero by not providing a bid-based structure.

WPTF offers responses to the ISO's specific questions below.

- What type of cost or lost opportunity would a bid signify?

The bid need not signify specific cost or opportunity but rather would signify the net value to the supplier of offering into the market.

- Would a bid be appropriate day-head, real-time, or both? Why?

Bids would be appropriate in both markets consistent with the bidding structure approved for spinning and non-spinning reserves.

- What are potential bidding parameters (such as bid cap)? Why?

A bid cap of \$250/MW would be consistent with the other ancillary services and seems appropriate.

- Are there market power concerns with allowing bids and how can the ISO mitigate those bids?

It seems the ISO is primarily interested in a small number of paths, and as such DMM should be able to assess the market power situation and/or use the local market power mitigation to indicate the potential for reserve market power. If there is market power under certain situations then proxy prices – perhaps based on unit type – could be applied as bid caps.

- Given the above answers, how could ISO evaluate the cost-benefit analysis of including bid functionality? In other words, what would be the benefit as compared to the added complexity of modeling bid functionality?

The ISO could assess the cost with making the product biddable. Given other biddable products in place at this time at the CAISO, it is not clear that adding an additional product would be particularly costly. Benefits may not be able to be assessed directly given that they may be second order or delayed in time. However, to make the markets consistent should be of value and potentially easy to justify once the cost is known. Further, while a cost-benefit approach may be of interest, primarily the ISO should use good, just, and reasonable market design as the basis for making the structure of this product consistent with the ISO's other capacity-based services.

- Proposal to remove bid-in ramp

WPTF does not support at this time removal of the bid-in ramp rate. The ability to bid ramp rates allows a supplier to express its max ramp rate in the RDT yet specify more conservative ramp rates if conditions require such. Moving to a static ramp rate will require resource owners to provide their most conservative ramp rate in the RDT and will thereby cause a reduction in the overall flexibility offered to the ISO.

- Cost allocation:

Given that this is a reliability service, costs should be allocated based on load share. It is unclear at this point whether the constraints and contingencies are regional in nature warranting something other than system-wide cost allocation.

We appreciate the ISO's ongoing consideration.