

Western Power Trading Forum Comments on CAISO Aliso Canyon Straw Proposal
Carrie Bentley, Resero Consulting for WPTF, 916-217-1571, cbentley@resero.com
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The Western Power Trading Forum (WPTF) appreciates the opportunity to provide comments on the September 6, 2016 straw proposal presentation and September 9, 2016 stakeholder call.

The ISO's Aliso Canyon phase 2 initiative proposes whether to extend, retire, or augment market design changes that were approved by FERC until November 30, 2016, as well as considers any new market changes needed through the winter and potentially through 2017. Of the provisions that will sunset in November, the ISO has already sought FERC approval to: extend the ability of scheduling coordinators to rebid commitment costs in real-time under expanded situations, not generate bids in RT for non-RA resources, and enable good faith negotiations for market participants including EIM participants for after-the-fact recovery of Commitment Costs. WPTF supports the proposal to make these permanent features of the ISO market.

There are 8 remaining items that were approved by FERC to sunset on November 30th that the ISO is considering whether to extend through the winter. The September 9, 2016 presentation listed each of these as well as described the Aliso Canyon winter action plan and its market design implications.

1. Ability to reserve internal transfer capability into Southern California
 - a. Ability to reduce CRR amounts in monthly auction if above measure is used frequently
2. Enforcement of gas constraints for capacity or imbalance limitations
 - a. Override assessment of competitive paths if constraint is systemically binding
 - b. Suspend virtual bidding if constraint is imposed frequently
3. Publication of two-day ahead RUC schedules to Scheduling Coordinators
4. Improvement in DAM gas price index using an approximation of the next day gas index
5. Adjustment RTM gas price index to include a scaler on next day gas index

The DMM additionally was given the opportunity to present their recommendations to the ISO:

1. Mitigate all exceptional dispatches for incremental energy due to Aliso Canyon
2. Design mitigation of detrimental exceptional dispatched related to Aliso Canyon

Generally, WPTF supports the evaluation of whether the temporary measures need to be extended and refined, and appreciates the ISO making the commitment to increase transparency where needed. The ISO has not stated how long these provisions will need to be in place and this information should be provided in the next draft. Below we specifically address each proposal item.

WPTF supports the ISO's decision to retire the ability to reserve internal transfer capacity on all paths(1 and 1a). The ISO's decision to retire the ability to reserve internal transfer capacity on all paths as well as the associated provision to adjust CRR amounts in the monthly auction is logical given Peak RC's modified system operating limit (SOL) methodology. Using real-time contingency analysis to increase transfer capability will use more up-to-date information and result in increased reliability.

WPTF supports the continued use of the gas availability and gas balancing constraint; however, believes more work needs to be done to clarify the process both internally and externally. (2) As noted in WPTF's

phase 1 comments¹, WPTF supports using market constraints, but would like additional detail regarding pricing and dispatch. The questions the ISO posed on the penalty factor and shaping factor are important and WPTF appreciates the ISO's commitment to be transparent about these factors. One item that should be added to the ISO's list of questions is when the constraint will be applied and when the ISO will exceptionally dispatch resources. Operators will have to be comfortable with the idea that the gas constraint will ensure sufficient resources going forward in order for them not to default to exceptional dispatch. It is not apparent that this occurred during the summer. Finally, it is difficult to provide feedback on these constraints when they were never enforced over the summer. This ISO has given some indication that this was due to the ability to control gas limits on the gas side through Operational Flow Orders (OFOs) rather than needed an electric constraint. It would be helpful to know how the ISO envisions coupling the constraint with OFO's moving into the winter.

There should be increased transparency on when the ISO will both override the assessment of competitive paths if the constraint is systemically binding and when the ISO will suspend virtual bidding if constraint is imposed frequently (2a, 2b). WPTF is supportive of the ISO continuing this authority as it will both increase market efficiency in the event the constraint is predictably and consistently binding. There are nuances; however, that the ISO has not described or made transparent and these remain of a significant concern to WPTF. For example, what would qualify as systemic binding? How will this information be translated to market participants? How long will the enforcement remain in place? The BPM at this point provides limited information.² Additionally, the ISO already had the authority to suspend virtual bidding so WPTF is unsure why this needed to be included in the Aliso Canyon filing; however, WPTF appreciates the ISO adding to Section 2.5.2.4 of their Market Operations BPM that they will the ISO will issue a technical bulletin on the justification for a general suspension or limitation of Virtual Bids related to Aliso Canyon gas coordination modeling or operations.

Continued measures to increase information and improve gas price estimation are vital for capacity optimization through the winter (3-5). These measures are what allow suppliers to manage their resources and WPTF supports their continuation. It is unclear why the ISO believes that 125% will continue to be sufficient through the winter. If gas prices indicate 125% was about right most of the time in the summer when there were no significant gas events and the ISO didn't even have to use any of their sought measures from FERC, it seems like this would need to be increased given expected winter conditions. The analysis on slide 23³ demonstrates the appropriateness of 125%, but if this is not increased, when the ISO redoes this analysis into the winter, WPTF would expect there to be a very different story told.

Absent an analysis demonstrating the potential to exert market power, WPTF does not support DMM's recommendations. WPTF cannot emphasize enough that it is blatantly unjust and unreasonable to mitigate bids without evidence of an uncompetitive environment. Given the large amount of supply in the LA Basin area, it is hard to understand why this is being recommended except as a way for DMM to cover their bases. The ISO should not move forward with this proposal.

¹ http://www.caiso.com/Documents/WPTFComments_AlisoCanyonGasElectricCoordinationStrawProposal.pdf, page 2.

² Market Operations BPM, section 6.5.3.

³ <http://www.caiso.com/Documents/AgendaPresentation-AlisoCanyonGas-ElectricCoordinationPhase2-StrawProposal.pdf>