Stakeholder Process: Ancillary Services Procurement in Hour-Ahead Scheduling Process (HASP) and Dispatch Logic

Summary of Submitted Comments

Stakeholders submitted one round of written comments to the ISO on the following dates:

- Round One, 8/19/2009

Stakeholder comments are posted at: http://www.caiso.com/2401/2401702e12ca0.html

Other stakeholder efforts include:

- Conference Calls
  - 8/12/2009
  - 8/28/2009

Management Proposal	Load Serving Entities, CPUC, Curtailment Service Providers	Management Response (Completed by the ISO)
Reverting back to Ancillary Services Procurement in HASP	Dynegy – Oppose the original design. Supports the ISO procuring full-hour ancillary service in HASP only it if does so by implementing a full-hour ancillary services market that allows all resources, including flexible in-state generating units and dynamic system resources, to participate in that full-hour market. PG&E – Support Powerex – Conditional Concerns on 1) The level of bid cost protection provided to ancillary service bids in the event the ancillary service price or the congestion price are changed; 2) Capacity tagging requirements. SCE – No specific comment SMUD – Support WAPA – Support WPTF – Conditional Concerns about the level of bid cost protection provided to ancillary service bids in the event the ancillary service price or the congestion price are changed.	The following issues are not in the scope of this proposal but will be considered under other initiatives. 1. Full-hour ancillary services in HASP in which all resources are given binding capacity awards – Management proposes to evaluate this issue together with other further design enhancements to the ancillary services market. 2. Hourly bid cost protection provided to ancillary service bids in the event that ancillary service price or the congestion prices are changed - Management has identified this as an issue in the market initiatives roadmap process and will be addressing it in the forum of *Ex Post Price Correction "Make-Whole" Payments.* Management clarifies that e-tagging is required for all capacity imports.
Dispatch logic: When operating reserve capacity procured from non-dynamic system resources in the HASP is dispatched in real-time, the dispatch level will stay constant until the end of the hour, or until the end of the next hour when dispatched across an hourly boundary. In the latter case, the ISO would apply the lower amount of the awarded operating reserve capacity between these two adjacent hours. This dispatch method will be applied to operating reserve awards to non-dynamic system resources	Dynegy – No comment PG&E – Support Powerex – No comment SCE – No comment SMUD – Support WAPA – Support WPTF - Conditional	

Management Proposal	Load Serving Entities, CPUC, Curtailment Service Providers	Management Response (Completed by the ISO)
in both the HASP and the day-ahead market.		
Treatment of energy bids associated with un-awarded capacity bids submitted by non-dynamic system resources in HASP.	PG&E, Portland General, Powerex, SCE, SMUD – Asked for clarification of this issue: An associated energy bid is required to be submitted at the same time as an ancillary service bid. Based on the current market design, in the event that an ancillary service bid is not awarded in HASP, the associated energy bid is still available for dispatch in the real time five-minute energy market. However, five-minute dispatch is not viable for non-dynamic system resources, and this has prevented them from participating in HASP.	Management proposes policy amendment to procure hourly inter-tie operating reserves in the HASP: Only ancillary service bids submitted by non-dynamic system resources will be used to solve HASP optimization problem and the associated energy bids will not be used. In this case, the resulted operating reserve prices will reflect the cost of providing capacity but not the opportunity cost of providing energy. In the event that a non-dynamic system resource is awarded ancillary services in HASP and dispatched for energy in real time contingency run, its associated energy bids will be used to determine real time energy prices. The energy bids will be used up to the total of day ahead and HASP capacity awards on that resource.