

Stakeholder Process: Treatment of Proxy Demand Resources in Local Market
Power Mitigation

Summary of Submitted Comments

Stakeholders submitted two rounds of written comments to the ISO on the following dates:

- Round One, 12/7/09
- Round Two, 12/18/09

Stakeholder comments are posted at: <http://www.aiso.com/23bc/23bc873456980.html>

Other stakeholder efforts include:

- Conference calls
 - 12/8/09
 - 12/15/09
- In-person meeting:
 - 1/5/10

Management Proposal	SCE	PG&E	Energy Connect	ISO Response
<p>Exclude bids from proxy demand resources (PDR) and from local market power mitigation (LMPM) runs.</p>	<p>Support</p> <p>Supports proposed option as effective interim approach which (1) represents an effective short-term option for ensuring that PDR does not undermine the ISO's current LMPM provisions, (2) is easy to implement concurrent with the PDR implementation, and (3) does not artificially deflate prices or move prices below what would otherwise be expected if the market was instead competitive.</p>	<p>Support</p> <p>Supports proposed option because it (1) represents an effective short-term option for ensuring that PDR does not undermine the ISO's current LMPM provisions and (2) is easy to implement with the PDR implementation in May 2010.</p>	<p>Oppose</p> <p>Proposal would undermine the financial incentives for development of PDR in constrained areas where they are most valuable to the grid.</p>	<p>Proposed approach maintains proper marginal price signals for PDR in constrained areas, while still protecting against local market power.</p> <p>Major sources of revenue for PDR are most likely to come from (1) capacity value from resource adequacy requirements/market, (2) non-spinning reserve market, and (3) real-time energy dispatched only during very extreme conditions (including scarcity) when LMPM will not limit prices.</p> <p>If any additional incentives are provided to promote PDR, these should be targeted directly at PDR and not distort overall market price signals.</p>
<p>As a longer term option, continue to pursue an approach under which all constraints (AC) run would be performed with default energy bids (DEBs) for implementation by 2012.</p>	<p>Support</p> <p>Supports longer term option identified by DMM as optimum solution. Recognizes that practical constraints prevent this option from being implemented over short term. Optimistic that this approach can be implemented by April 2012.</p>	<p>Support</p> <p>Encourages ISO to continue to pursue and implement longer-term approach of basing AC run on DEBs as soon as possible, since this would address potential problems related by both convergence bidding and PDR.</p>	<p>Oppose</p> <p>Alternative proposal should have been offered that addresses the underlying problem of inadequate competition in the constrained areas, rather than mitigation.</p>	<p>Longer term approach that is under consideration appears to effectively mitigate local market power and provide very efficient price signals for different resources. Further review of the details of this approach will be performed in 2010.</p> <p>Increased competition in constrained areas would be beneficial, but not if local market power mitigation is made less effective.</p>