

Jackson-Hamel, Ingrid

From: CRCommunications [IMCEAEX-
_O=CAISO_OU=CORPORATE_CN=SYSTEM_CN=CRCOMMUNICATIONS@SWIDLAW.com]
Sent: Wednesday, September 20, 2000 8:45 PM
To: ISO Market Participants; SC Settlements Contacts
Cc: ISO Client Relations; ISO Market Operations Group; ISO Grid Ops All; Rahman, Brian; Traweek, Nancy; Detmers, Jim; Smith, Roger
Subject: CAISO NOTIFICATION - BPA Control Area Limitations on Participati on in ISO RT Energy Market

Market Participants;

ATTENTION Scheduling and Settlement Operations -

Yesterday BPA - TBL announced new limitations on dispatched energy from Ancillary Services (A/S) and Supplemental Energy (SE) bids from BPA into the California ISO Control Area.

The ISO views A/S Energy and Supplemental Energy bids as a 10 minute products, dispatched on an economic basis via Automated Dispatching System (ADS) to provide Real Time (RT) balancing energy for the ISO Control Area. **The ISO's 10-minute RT Energy Market relies upon energy from A/S capacity imports and Supplemental Energy at the ties being dispatchable on a 10-minute basis.** The 10-minute market is designed to set appropriate price signals on a 10-minute basis for instructed resources. The ISO expects these price signals to minimize uninstructed deviation and reduce the amount of required regulation.

With regard to Supplemental Energy bids at the interties, Scheduling Coordinators have the ability to specify that these bids be dispatched on a pre-dispatch basis only. The consequences of specifying SE bids on a pre-dispatch only basis are described in the Market Notice below. Since September 1, 2000, approximately 95% of the ISO's SE bids at interties have been flagged for hourly pre-dispatch.

With regard to A/S import bids, some Scheduling Coordinators have certified that they can provide, and the ISO has accepted, Ancillary Service bids on a 10-minute basis from other Control Areas for some time now. The "pre-dispatch only" flag is not available to A/S bids. **Should an A/S energy dispatch instruction be declined via ADS or should the adjacent Control Area not be able to actually schedule the RT interchange into the ISO, the A/S dispatch call is treated as a declined instruction.** The consequence of a declined A/S energy instruction is the "No-Pay" settlement provision, consistent with the ISO Tariff.

The ISO very much appreciates your continued participation in California Real Time Energy Market.

Any questions regarding this process should be directed to Brian Rahman, Manager of Markets, at 916-608-5883.

Brian S. Rahman P.E.

Manager of Markets - California ISO

Phone (916) 608-5883

Pager (916) 814-0614

REMINDER

Requirement to Specify a Pre Dispatch Flag for all Supplemental Bids At the Interties

Setting the Pre Dispatch Flag (flag) to "YES" will indicate that the Supplemental Energy bid is **NOT** flexible enough to be dispatched during the hour and will limit the bid's participation in the ISO Real Time Energy Market during the hour to the pre-dispatch quantity. If the bid is not pre-dispatched, and the flag is set to "YES", the bid will be removed from the BEEP stack for the remainder of the Trade hour.

Setting the flag to "NO" indicates the bid's participation during the hour is not limited by its pre-dispatch amount and is available for dispatch during the hour.

Instruction on the Automated Dispatching System (ADS) will continue to be sent during the hour even if the flag is set to "YES". Instructions sent during the hour will be limited to the quantity pre-dispatched or a quantity in the opposite direction of the pre-dispatch, returning the schedule to its Hour Ahead value. While the "YES" flag will indicate to the ISO that the bid will not be dispatchable on a 10 -minute basis, the actual settlement of the Real Time energy will be in accordance with the ISO's 10-minute settlement concepts. (i.e., paid or charged 10-minute interval prices)

Any deviations from ADS instructions and control area "check out" for the schedule will be treated in accordance with the 10-minute settlement concepts. Net positive deviations in any of the intervals will be settled at the interval's "dec" price. Net negative deviations in any of the intervals will be settled at the interval's "inc" price.

Please note that the Scheduling Coordinators are expected to provide neighboring Control Areas with information on the type of bid being dispatched e.g. Spin, Non Spin, Supplemental.....

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