California Department of Water Resources State Water Project (CDWR) Comments On CAISO's Bid Cost Recovery (BCR) Enhancements Straw Proposal

June 28, 2016

CDWR appreciates the opportunity to comment on CAISO's June 3, 2016 revised Straw Proposal titled Bid Cost Recovery Enhancements, which was followed by a Stakeholder conference call and presentation on June 21, 2016. This Straw Proposal continues CAISO's November 24, 2015 Issue Paper on Two-Tier Real-Time BCR by exploring three potential modifications to existing calculations for BCR payments and allocation methods for real-time BCR uplift costs, and additionally proposes to modify how the Integrated Forward Market (IFM) BCR uplift is calculated.

Comments

CDWR is concerned with CAISO's recent proposal to eliminate demand offsets for Self-Scheduled generation when calculating BCR in the IFM. The rationale for this proposal is to encourage more economic bids. CDWR believes that market prices are incentive enough for resources to opt for bidding economically and Self-Scheduled generators are not eligible to receive BCR payments. Additionally, other market products including the soon to be implemented Flexible Ramping Product have been designed to help achieve the flexibility that CAISO desires. Eliminating the demand offset will not result in a greater incentive to bid, as many self-scheduled resources, like those of CDWR, opt for self-schedules to assure it receives an awarded schedule to move water supplies and meet regulatory requirements. CDWR does not support paying more for an already imperfect cost allocation methodology that results in additional costs imposed on load by default.

FERC's September 21, 2006 Order to institute 2-Tier RT BCR continues to be valid and requires the CAISO to develop an equitable cost allocation methodology based on cost causation. CDWR urges CAISO to revise the current allocation of real-time BCR uplift to measured demand; however, CDWR could support a slight delay to determine the cost-reducing effects of CAISO's Flexible Ramping Product which is due to be implemented in the fall of 2016. The additional analysis performed by CAISO indicates that commitments from RTUC, rather than deviations, are the primary drivers of RT BCR costs. Again, CDWR believes those causing the need for the uplift should be paying the costs and the approximately $50 million per year in RT BCR costs warrants an allocation improvement.