DC Energy has some concerns that the current practice the ISO seeks to codify in the tariff may have unintended consequences. For the most part, the choice of reference methodology should have a limited impact on operations and financial outcomes. The exception is the settlement of CRRs, which depend in part on the disaggregation of LMP into energy, loss, and congestion components. Given the sensitivity of CRRs to this disaggregation, the CAISO should minimize and publicize in a timely manner the changes made to it. This issue is particularly well illustrated by the CAISO technical bulletin on congestion at Placer Flint. The uncertainty over the future choice of methodology will harm the efficiency and liquidity of CRR markets as their value will depend on variable market participants have limited visibility on.

One potential solution to this problem is to de-couple the power system slack and the LMP reference. CAISO could change the power system slack to a distributed generator reference when the need arises, but always use a distributed load as the LMP reference. This will allow the CAISO to solve the IFM and avoid the injection of unnecessary uncertainty into the CRR markets. In the Market Operations BPM (page 51) the CAISO notes:

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The calculations of system Power balance and LMP disaggregation can
occur separately, but there is little reason (other than software
configuration) to measure LMP components using a different reference
than the Power balance equations.
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Preventing the injection of unnecessary uncertainty into the CRR markets is reason enough to calculate Power Balance and LMP Disaggregation separately.

If our belief that it is possible to decouple power balance and LMP disaggregation turns out to be incorrect based on systems or theoretical limitations, we insist that at the minimum the CAISO post publicly and in a timely manner the intervals that were solved with a generator distributed slack instead of a load distributed slack.

Feel free to contact me with any questions you may have.

I apologize for the belated submission of comments, but hope that you will take them into consideration nonetheless.

Best regards,

Sadao Milberg.

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