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Stakeholder Comments of the Northern California Power Agency

Day Ahead Market Enhancements Issue Paper/Straw Proposal

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The Northern California Power Agency (NCPA) is pleased to provide its comments on the California ISO's Day Ahead Market Enhancements (DAME) initiative. Although it is early in the stakeholder process and many details have yet to be developed, NCPA believes that the DAME proposal, at least conceptually, may have some potential. That being said, much more should be understood about how it will work.

Coordination with FRAC-MOO

It is clear that DAME and FRAC-MOO address the same basic issues and were designed together. Accordingly, it is important for stakeholders to consider them together, because failing to do so creates a risk of over-procuring capacity necessary to address the issues CAISO is facing. However, there is potential for the two to overlap, and ratepayers should understand how the two fit together.

NCPA believes that if either initiative is to move forward first, it should be DAME, because it is a more precise procurement tool. As an energy market product, it is far closer in time to the point of need, and is therefore much more likely to be accurate. If the Imbalance product can be properly structured and priced to attract sufficient resources to be available in the Day Ahead Market (DAM), it could obviate the need for the additional capacity products being considered in FRAC-MOO, or at least minimize the amounts to be procured. To protect the interests of ratepayers, NCPA prefers market incentives close in time to need, rather than risking over-procurement. The overlap between DAME and FRAC-MOO2 requires further exploration.

EIM and Imports

NCPA understands that CAISO intends the DAME proposals to assist with the extension of the DAME into the EIM. However, since there are many difficult questions to be resolved before the proposed EIM extension could happen – most notably, a plan for fair allocation of transmission costs – NCPA cannot comment on that possibility at this time.

To the extent that the DAME proposals are intended to encourage imports to the CAISO BAA, NCPA is unclear whether resources, especially at the ties, will be willing to be moved every fifteen minutes. NCPA had understood that the principle obstacle to such usage was restrictions on transmission availability outside the CAISO BAA. If intertie and other resources continue to block load their schedules, will the utility of fifteen minute settlements be diminished?

Cost Allocation

The costs allocation methodology CAISO has proposed is very similar to the allocation currently used for the Flexible Ramping Product (FRP). As is the case with the FRP, the cost allocation for the Imbalance product is intended to disincent deviations from day ahead schedules, and to encourage resources to be made available for deviations and uncertainty.

NCPA operates as a Load-Following Metered Subsystem (LF-MSS) in the CAISO BAA. As such, NCPA is contractually obligated to balance its integrated portfolio of supply and demand in real-time through use of Load Following Capacity, to ensure its net LF-MSS portfolio deviations are contained within a tight deviation band. To the extent NCPA fails to control its deviations within the specified limits, it is assessed significant Load-Following Deviation Penalties in accordance with the CAISO Tariff. In essence, NCPA is already required to provide its own form of Imbalance service similar to that which CAISO now seeks to create. When it developed the FRP, CAISO recognized that NCPA already did what the FRP was intended to require, and that the cost of the FRP should only be allocated to LF-MSS net portfolio deviations, which represent the quantity of positive or negative deviations, per settlement interval, that the LF-MSS is unable to self-manage. The same rationale should apply to the costs of the Imbalance Product.

Since NCPA manages its own variability and uncertainty in real-time and is bound by the terms of the CAISO Tariff and its contract with CAISO to do so, with the consequence of significant load-following deviation penalty if it fails to do so, NCPA strongly believes its LF-MSS portfolio should be allocated Imbalance costs based on NCPA's net LF-MSS portfolio deviations. This would be the same mechanism CAISO uses now to allocate FRP costs to the LF-MSS. NCPA acknowledges that its non-LF-MSS resources and loads should be treated the same as other resources and loads. However, NCPA's LF-MSS portfolio is uniquely situated in the market and CAISO should recognize NCPA's self-management of variability and uncertainty (and the costs it incurs to do so) in the cost allocation for the Imbalance Product.