

Exceptional Dispatch



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California ISO
Your Link to Power

Joint Market Surveillance
Committee/Stakeholder Meeting
April 11, 2008

Overview

- 🌐 Review of History
- 🌐 Summary of Market Power Mitigation Proposal
- 🌐 Current White Paper Options
- 🌐 Discussion of Relaxed Mitigation Option
- 🌐 Discussion of Supplemental Payment Options
 - Eligibility
 - Proposed Options
- 🌐 Implementation Impacts
- 🌐 Next Steps
- 🌐 Questions and Answers

Review of History to Current MSC Meeting

- The following items below summarize the process to date:
 - October 22 2007 CAISO posts discussion paper on Exceptional Dispatch in ICPM proceeding
 - November 2007 through January 2008 DMM develops mitigation proposal on Exceptional Dispatch
 - January 2008 CAISO postpones decision on DMM mitigation proposal in order to get more stakeholder input
 - March 21, 2008 MPD posts Exceptional Dispatch white paper; supplement posted April 1
 - March 28, 2008 stakeholder conference call
 - April 4, 2008 stakeholders comment on white paper
 - April 11, 2008 MSC stakeholder meeting to discuss Exceptional Dispatch options

Types of Exceptional Dispatch

- System Reliability
- Transmission related modeling limitations
- Other types
 - A/S testing / Pre-commercial operations testing
 - Mitigation for over-generation
 - Black start
 - Voltage support
 - Accommodate TOR/ETC transmission schedule changes after close of HASP
 - Decommitment after RUC but before real-time

Current Tariff Rules for Payment under Exceptional Dispatch

- Payment for Exceptional Dispatch for energy would be the higher of the unit's:
 - Bid, or
 - LMP
- If no Bid in Market, payment would be the higher of the unit's:
 - Default Energy Bid (DEB), or
 - LMP

Summary of Market Power Mitigation Proposal

- For Mitigated resources, payment for Exceptional Dispatches for energy would be limited to the higher of the unit's:
 - Default Energy Bid (DEB), or
 - LMP
- Mitigation would only apply to Exceptional Dispatches for:
 - Reliability requirements associated with non-competitive transmission constraints
 - Other special unit operating or environmental constraints not incorporated in MRTU model
- Mitigation would not apply to Exceptional Dispatches for:
 - System-wide energy needs
 - Congestion on competitive transmission constraints

Current White Paper Proposals

- 🌐 To provide opportunity for fixed cost recovery for resources without capacity contracts, several general options were considered in White Paper and Supplement:
 - 🌐 Relaxation of Mitigation
 - 🌐 Apply Mitigation with supplemental payments
 - Payments could be based on capacity or energy subject to Exceptional Dispatch
 - Not all Exceptional Dispatches would be eligible

Relaxed Mitigation Option

- Under this option CAISO would only mitigate RA, RMR and ICPM resources
- There is still uncertainty about the scope of Exceptional Dispatch and the extent of locational market power for such resources

Supplemental Payment Options – Eligibility

- CAISO proposes that supplemental payments are limited to Exceptional Dispatch that entails:
 - Forced start-up (commitment)
 - Incremental energy subsequent to forced start-up
- Supplemental payments would not be provided for:
 - Forced shut-down (decommitment)
 - Additional incremental energy from existing self-schedule or market-accepted schedule
 - Decremental energy
- CAISO further proposes that resources are eligible for supplemental payments only if they have an offer in the market

Supplemental Payment Option 1 – Daily Capacity Payment

- Daily capacity payment would be percentage of ICPM monthly payment, as determined by FERC
 - CAISO proposes 1/30 of ICPM monthly payment
- Issues:
 - Partial or full unit procurement?
 - If partial unit capacity, how to measure eligible MW? If linked to max. energy output over day – see next slide
 - If daily payment is percentage of ICPM payment, how to calculate for resources that seek cost-justified ICPM payment?

Supplemental Payment Option 2 – Bid Adder

Bid Adder

- CAISO proposes using same value as FMU Bid Adder: \$24/MWh
- However, different from FMU Bid Adder in that Exceptional Dispatch Bid Adder would not set LMP

Issues:

- How to measure eligible MW, payment for ED to PMin?
If linked to max. energy output over day – see next slide

Comparison of Supplemental Payment Options

- Both are out-of-market payments, hence create incentive issues
- Under CAISO proposed pricing, which option yields higher payments will depend on situation
- Both approaches need to be aligned with incentives to accept ICPM designation
 - Daily capacity payment may be more compatible
- Which is easier to implement and administer

Summary of Comments on White Paper

<u>Company</u>	<u>Summary of Comments</u>
Calpine Corporation	No mitigation of Exceptional Dispatch is needed
Dynegy	CAISO should work on modeling to eliminate need for ED instead of side payment options
Reliant	Supplement to mitigation is a good starting point
WPTF	Strongly opposes CAISO's mitigation proposal
CPUC	Prefers daily capacity option
Southern Cities	Supports daily capacity option
PG&E	Supports bid adder option
SCE	Supports bid adder option

MRTU Implementation Impacts

- Proposed mitigation can be implemented without change in scope or functionality of MRTU software using manual approach if necessary. CAISO evaluating the implementation requirements of supplemental payments.
 - Neither mitigation or supplemental payments would affect market prices.
- Reasons for Exceptional Dispatches will be logged by operators, which feeds into Settlements/MQS.
 - FERC has already required CAISO to post detailed information on Exceptional Dispatches on OASIS.

Next Steps

- 🌐 April 14, 2008 – Straw proposal posted
- 🌐 April 15, 2008 – Stakeholder meeting at Folsom
- 🌐 April 17, 2008 – Tentative MSC conference call
- 🌐 April 22, 2008 – Comments due on straw proposal
- 🌐 May 1, 2008 – MSC draft opinion posted
- 🌐 May 6, 2008 – Final paper posted
- 🌐 May 6, 2008 – Post draft tariff language
- 🌐 May 22, 2008 – Request Board approval
- 🌐 May 23, 2008 – Stakeholder call on draft tariff language
- 🌐 June 6, 2008 – File tariff language with FERC

Questions

