Stakeholder Comments

Commitment Cost Enhancements Phase 3 Technical Workshop

Submitted by	Company	Date Submitted
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The following are Southern California Edison's (SCE) comments on the California Independent System Operator's (CAISO) July 20, 2015, Technical Workshop[1]. SCE thanks the CASIO staff involved in this initiative. This is a process that SCE has been working on internally for some time, and SCE recognizes the many challenges in developing and administering this process.

The CAISO asked stakeholders about their preference of GAMS or SAS applications for modeling. In SCE's experience, accurately optimizing 12 months of dispatch for resources primarily responsive to real-time price signals is very challenging. Any number of unexpected events can happen which can cause actual dispatches to diverge from forecasts, therefore SCE supports the process that enables more frequent updating and is easier for the CAISO to use. The CAISO's presentation made it clear that the SAS model was the cheaper, faster, and lighter process. SCE supports the use of the SAS model to calculate opportunity costs given the similar outputs of the two models. However in order to gain some comfort around the model, SCE would like to see some sort of trial or market sim period, where the CAISO runs the model and gives SCs opportunity cost adders for informational purposes to gain some level of comfort around the process.

SCE also supports the use of FMM LMPs adjusted for forward implied heat rates as an input variable. As noted by the CAISO, fast-start resources are frequently committed due to the higher volatility in the FMM.

Regarding the use-limited registration process, the CAISO asked about translating emissions or fuel limitations. SCE prefers that the Scheduling Coordinators translate the permits. Air permits are not uniform, even within an AQMD, and SCs are already working with generators to

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[1] http://www.caiso.com/Documents/Agenda-presentation_CommitmentCostEnhancementsPhase3-TechnicalWorkshop_Jul20_2015.pdf

interpret the nuances of the air permits. In addition, under the current process ULR registrations are not confirmed until February, after the start of the calendar year. Given that many of the air permits are issued on a calendar year basis, SCE would prefer that the registration process is concluded by December prior to the operating year.

The CAISO also asked stakeholders about frequency of re-runs. Since RT volatility (and therefore dispatch) is very difficult to predict, SCE would like to see a high frequency of updates trued-up with actual usage. Ideally SCE prefers monthly scheduled re-runs, although SCE understands that frequent re-runs can be administratively burdensome. Another option may be to have bi-monthly or quarterly re-runs, with the added ability of the SC to request a re-run for specific units that may be under or over utilized.

On the question of whether to use actual or estimated usage data during model re-runs, SCE agrees with the Market Surveillance Committee that using actual data (Option 1) is the only reasonable option. Estimated data is already subject to model error. The purpose of re-running the model is to account for usage that the model was not able to predict. Given the many inherent limitations of modeling 12 months of RT dispatch, SCE cannot support the use of modeled output to true-up the forecast results of the same model. SCs should work with the CAISO to true-up the actual usage of the resources to account for failed starts, tests, etc.

The CAISO proposes the usage of a negotiated opportunity cost for limitations that cannot be modeled. SCE recommends the ability of stakeholders to resort to using the negotiated opportunity cost option, should the results be inconsistent with the market participant's understanding of the limitation. This is necessary to avoid potentially incorrect outputs from the calculated opportunity cost, influencing market inputs.