Stakeholder Comments

Revised Draft 2011 Market Design Catalog

Submitted by	Company	Date Submitted
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Southern California Edison (SCE) submits comments on the CAISO's revised draft 2011 Market Design Catalog. SCE's comments focus on the relative merit and proposed prioritization of certain initiatives given the resources available and considering the importance of other tasks.

SCE appreciates the CAISO's work on the catalog. The CAISO incorporated SCE's previous recommended additions and has ensured the Catalog provides a robust list of potential market design changes and enhancements. SCE looks forward to continued work with the CAISO to finalize the 2011 catalog.

SCE recommends changes to the list of items slated for prioritization. These changes recognize the need to optimize stakeholder input and CAISO market design resources in light of the many market design efforts underway and also to ensure the most pressing issues are addressed. SCE also offers limited edits to the revised version of the 2011 Catalog,

A. The CAISO should not address certain low-priority design changes at this time – these potential changes should go through the next ranking process before being selected for address.

The CAISO's categorization process flags certain items for address prior to other items. Specifically, market design changes categorized by the CAISO as either "FERC-mandated" or "non-discretionary" changes are sometimes scheduled for address regardless of stakeholder input. Although this approach makes sense in many cases, the CAISO's current list of "pre-selected" market design enhancements should be changed. Given limited resources and the need to address many renewables integration or other required changes, low-priority changes should be deferred or re-categorized as "discretionary" in order to be more appropriately considered through the rankings process.

The CAISO should thus delay address of the following design changes. In some cases, items should be treated as discretionary and considered in the next rankings process, likely scheduled for 2012.[1] Committing resources to processes that do not require immediate or mandated consideration may impede CAISO progress and focus on more important or pressing design

[1] The CAISO explained on a October 24, 2011 Conference Call that, due to the multitude of prioritized market design changes, the ranking and address of remaining discretionary items will not occur for the 2011 Catalog.

changes. This could in turn have significant and substantial negative effects on the quality of the final outcome of all efforts – urgent or otherwise.

- #2.3, Marginal Loss Surplus Allocation –The current method is FERC approved[2] and no deadline exists for reconsideration. In light of other major and pressing design changes and limited resources, this low-priority issue should not be addressed now. Further, the CAISO has failed to justify a need to preemptively address this issue now.
- #2.6, LAP Granularity – FERC set a deadline of October 2014 for address of this potential change[3]. Given the pressing needs of the CAISO's extensive market design efforts, consideration of this item at this point is premature. This issue is low-priority but is complicated enough to significantly burden stakeholders, yet the CAISO has prioritized it without justification. It should be deferred for later consideration.
- #5.10, Exports of A/S – As the CAISO's seeks a FERC extension for consideration of this issue, address is not required now. SCE supports the CAISO's plans for deferral. Additionally, the CAISO's renewables integration design changes will establish key mechanisms and structures for renewables integration within the CAISO. Until these changes are finalized, the CAISO should refrain from actions that potentially reduce the supply of Ancillary Services, particularly until cost-causation principles are effectively applied, preventing cross-subsidization in the markets. SCE advocates that cost-causation principles govern the allocation of integrating services in all Balancing Authority areas (BAs), including the CAISO and other neighboring BAs.
- #6.2, Long-Term CRR Auction – This complex issue will require significant stakeholder input and thus should be delayed until higher priority items are addressed. If pursued, this change will require significant software and system upgrades which could take years to successfully complete and implement. In light of limited resources and the other pressing design changes, there is no compelling need to prioritize this topic.

B. Regardless of ranking, the ISO should prioritize certain issues for immediate resolution due either to pressing needs or since they do not require significant and substantial resources to resolve.

The ISO should prioritize market design changes that have pressing timelines or address operational needs. SCE also suggests the ISO consider quick and easy market design changes, where appropriate, as these changes will not impede progress on more important items yet will achieve small operational improvements.

- #2.4, Multi-day Unit Commitment in the IFM – The CAISO should address this issue as it stands to provide operational benefits and reduce cycling costs. It should be considered separately or as part of the renewables integration redesign activities. The CAISO notes that its 72-Hour RUC enhancement will act as an interim solution for this enhancement, but the delayed implementation of the 72-Hour RUC indicates that a solution may not be in place for some time unless this issue takes priority.[4]
- #2.9, Uplift treatment to accommodate GHG – This issue should be addressed prior to implementation of California's Green-House Gas Cap and Trade Regulation on January

[2] Paragraphs 90 – 97, Pages 39-41: Order Conditionally Accepting the California Independent System Operator's Electric Tariff Filing to Reflect Market Redesign and Technology Upgrade, September 21, 2006. Docket ER06-615.
[3] Paragraphs 15, Page 6: Order Granting Motion for Extension of Time, July 25, 2011. Docket ER06-615.
[4] The timeline for implementation of the 72-Hour RUC is still to be determined, per the CAISO's Market Performance and Planning Forum on October 26, 2011.

1st, 2013. If these costs are not factored in to Bid Cost Recovery rules, generators will not be held whole, violating a fundamental safeguard of the CAISO market. As this design enhancement may involve tariff changes and subsequent FERC approval, SCE suggests that CAISO convene a stakeholder process to make these changes in the first quarter of 2012.

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- #8.1, Standard Capacity Product (SCP) Planned Outage Availability Incentive Review – This issue should receive priority address as it may be easily resolved. The CAISO can focus this enhancement on "non-availability charges" but can resolve other more complex issues in its SCP Phase III considerations.
- #9.4, Allocation of Dynamic Ancillary Service Costs – Without address, CAISO rules on costs for Dynamic Transfers allow cross-subsidization and fail to provide meaningful price-signals to ensure minimization of renewables integration costs. Specifically, current rules for dynamic transfers of intermittent resources ensure these market participants have full transmission access but may not experience consequences for congesting an intertie. This issue needs to be prioritized for resolution. Also, the Department of Market Monitoring should document these potential cross-subsidization practices.
- Additionally, the following initiatives should be both added to the Catalog and receive immediate address.
    - Cost Allocation for Regulation – The uncertainty and variability of VERs creates situations where Regulation is used to integrate these resources. Cost for regulation should thus flow to both load and to VERs in accordance with cost-causation principles. Alternative integrating products, such as the proposed Flexi-ramp Product, are not anticipated for implementation until 2013. Thus, current rules will unfairly charge load for intermittency associated with VERs *for years.* An initiative on this topic should be established and prioritized to avoid unjust and unreasonable cost-allocation.[5]
    - Cost-allocation for RUC – The CAISO plans to use RUC for renewables integration in the form of a more granular RUC that considers uncertain renewable output. In line with cost-causation principles, costs for renewables integration should flow to the scheduling coordinators of VERs. Currently, load pays for RUC. This issue should be added to the calendar and addressed in coordination with the implementation of expanded duties for RUC.[6]
    - Transition out of the Participating Intermittent Resources Program (PIRP) – PIRP is known to create operational challenges and to subsidize output from VERs by shielding these resources from integrating services and other scheduling and performance rules. The CAISO needs a stakeholder process to design a transition out of PIRP. As large numbers of PIRP resources are expected in the coming years, the CAISO should immediately address this issue.[7]

[5] Also see SCE's comments on this topic in the Renewables Integration Market Product Review Phase II: http://www.caiso.com/Documents/SCEComments-RewewablesIntegration-Market_ProductReviewPhase2Vision_Roadmap.pdf

[6] *Ibid*, p 1.

[7] http://www.caiso.com/Documents/SCE_Comments_RenewableIntegrationMarket-ProductReviewPhase1ThirdRevisedStrawProposal.pdf

C. Other Changes or Clarification Should Be Incorporated into the Draft Market Design Catalog.

SCE provides the following comments to clarify SCE's position on certain matters and to ensure accuracy in the Market Design Catalog.

- Enhancement #2.12, "Enhancements to Start-Up Bids to Recognize Fixed per Start Costs", should be combined with #2.7, "Start-Up, Minimum Load, and Transition Cost Enhancements", and restored to active status in the catalog. The scope of enhancement #2.12 encompasses that of #2.12. Neither of these items has been resolved so it is not clear why these items are slated for deletion in section 12 of the Catalog. SCE supports both of these items.
- Regarding SCE's comments on Catalog item #2.5, SCE does not support a Minimum Online Commitment constraint (MOC) pricing initiative at this time but did comment that MOC-pricing changes should not be removed from the Catalog. Previously, SCE suggested that the CAISO address this item in RIMPR 2. SCE provided this recommendation in case CAISO ended up using MOC to resolve flexibility issues. With further clarification in the scope of RIMPR 2 and the Flexi-ramp product, however, it's clear that Flexibility will be addressed through the Flexi-ramp product and not through MOC.
- #3.10, "Sub-Hourly Scheduling", will overlap with item #9.5, "Intertie Pricing" and also with RIMPR 2. The catalog should reference these overlapping initiatives and also note that, most likely, some of these topics will be addressed simultaneously.
- #3.7, "Flexi-ramp Product Cost Allocation Methodology", should be expanded to include all Ancillary Services. As noted in comments above, cost-allocation for any market product or constraint involved in renewables integration should be allocated based on cost-causation principles.