

Stakeholder Comments Template**RI Phase 2 – Day-of Market 7/6/11 Initial Straw Proposal**

Submitted by	Company	Date Submitted
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The Sacramento Municipal Utility District (SMUD) appreciates the opportunity to provide these comments to the California Independent System Operator Corporation's (CAISO) RI Phase 2 – Day-of Market July 6, 2011 Initial Straw Proposal. SMUD has chosen to focus primarily on question 6 regarding proposed changes to the Hour Ahead Scheduling Process (HASP).

1. Please provide any comments on the ISO's proposed schedule, timeline, or process for this stakeholder process. *No response.*
2. Are there additional goals or operational challenges that the ISO should be addressing through this stakeholder process? *No response.*
3. Please indicate whether your organization agrees with the guiding principles listed in the straw proposal. If not, please indicate why not. If you would like to have other guiding principles added, please describe those additional principles. *No response.*
4. Please provide your organization's views on any incremental ancillary services you believe are necessary to accommodate the intermittency of renewable resources. *No response.*
5. Does your organization believe that Residual Unit Commitment should be performed more granularly than daily (i.e. on-demand RUC)? Is on-demand RUC needed if the 15 minute unit commitment, either in RTED (Option A) or RTPD (Option B) looks forward 8-10 hours? *No response.*
6. Please provide your organization's views on replacing today's Hour Ahead Scheduling Process (HASP) for inter-ties with a simpler method that would not involve establishing separate hourly prices for the inter-ties and that would not include bid cost recovery. Please suggest proposals concerning what accommodations are necessary at the inter-ties to provide scheduling flexibility for western market entities.

**SMUD Response:**

- The HASP should not be eliminated for transactions at the inter-ties until such time that identical sub-hourly scheduling is implemented by all of WECC.
- SMUD understands many of the CAISO's concerns regarding the HASP market, however, it does not support, as part of the solution, the proposal to make all real time bidders at the ties price takers. The CAISO should not implement changes to HASP (or eliminate HASP) to the extent that those changes eliminate "price certainty" for importers and exporters at the CAISO's interties with other Balancing Authorities (BAs). BAs will have to abide by Western Electricity Coordinating Council (WECC) standard scheduling protocols that define what period of time is covered by a scheduling increment. To the extent that the CAISO pricing increment at its interties differs from the standard scheduling increment, then price certainty has been lost. Removing price certainty for economic bid/offers at the interties will reduce discretionary day-of imports and exports, as would-be importers and exporters begin to ascribe higher price risk to CAISO transactions. An unintended consequence of such a change would be to lessen liquidity at the interties. Given the quantity of imports relied upon by California to serve loads, SMUD surmises that this could significantly and unnecessarily increase CAISO energy costs. Further, the CAISO would likely find importers most reluctant to take this new price risk during periods when regional prices are high and volatile, as with summer heat storms and other times of critical CAISO need.
- The proposed change would also place importers and exporters at a disadvantage compared with resources located within the CAISO, as they would be denied the alternative of being able to know that their marginal power costs would be covered.
- The CAISO should consider timing the change in (or elimination of) HASP to when (and if) WECC implements 15-minute schedules. If the CAISO moves ahead of WECC on this matter, however, at a minimum, there must be a feasible mechanism for economic bidding at the interties to provide price certainty in the interim.
- The CAISO has not specified how it would accomplish coordination of the hourly ramp process (ten minutes at the beginning and end of each hour) at the interties with fifteen (or 5) minute schedules. Again, SMUD suggests that this be consistent with what is ultimately adopted as a WECC standard sub-hourly scheduling protocol.
- It is not at all clear that the theorized social benefits would outweigh the potential inequities and other unintended consequences associated with the CAISO's current HASP elimination proposal.

7. Does your organization prefer a two settlement market or a three settlement market? Please describe why. *No response.*
8. Please provide your organization's feedback on the concept of a 1 minute Real Time Imbalance Service (RTIS).
  - a. Does your organization agree that with RTIS, regulation should be changed to a bi-directional service? *No response.*
  - b. Is one minute the correct dispatch interval for RTIS? *No response.*
  - c. How should RTIS be bid, selected, and dispatched? Should a mileage bid be used for dispatch with a market clearing mileage price determined each minute? *No response.*
  - d. Does your organization's opinion on RTIS differ depending on whether Option A or Option B is chosen? *No response.*
9. Please comment on your organization's preference for Option A or Option B with regard to the real time market. If neither option is feasible in your view, please provide input on how the real time market should be configured.
  - a. Would 15 minute real time prices enable price responsive demand or demand response? *No response.*
  - b. In Option A, with 15 minute RTED, what is your organization's opinion about a 10 minute ramp period?

SMUD Response:

- The CAISO has not provided sufficient detail, in the way of examples, on how this would be implemented. SMUD would like to see such examples that articulate the proposal before commenting.

10. How often should renewable resources be allowed to schedule?

- a. In Option A does every 15 minutes make sense?

SMUD Response:

- Yes, for renewable schedules *within the CAISO*, having the *option* to submit a different schedule every 15 minutes could improve forecast accuracy. However, it only makes sense if the market design allows the CAISO to use

the more detailed schedule in its optimization & procurement decisions. Otherwise it would merely be an academic exercise in which the generator's improved forecast had no impact on CAISO costs or reliability. Also, submission of schedules that do not vary within the hour should still be considered acceptable, based on a generator's assessment of the relative merits of more granularity given its own resource and organizational design.

- b. In Option B should renewable generation be able to schedule every 5 minutes, 15 minutes, or some other time interval?

SMUD Response:

- It is doubtful that the added benefit of forecasting renewable output at the five-minute level would exceed the administrative cost and complexity of five minute schedules.
- c. Does it make sense to limit this scheduling opportunity to only renewable resources, or should it apply more generally? Who should be able to schedule more granularly than hourly?

SMUD Response:

- Allow intermittent resources the opportunity first. Then use the experience with intermittent resources to inform the decision of whether to eventually offer the same *option* to all resources based on weighing benefits offset by the increased complexity.

11. Please provide any other comments your organization would like the CAISO to consider through this initiative. *No response.*