

California Department of Water Resources State Water Project Comments On Two-Tier Real-Time Bid Cost Recovery (RT-BCR) Uplift Issue Paper

January 15, 2016

On November 24, 2015, CAISO posted an Issue Paper on Two-Tier Real-Time Bid Cost Recovery (RT-BCR) Uplift in response to FERC's September 5, 2014 Order. After rejecting CAISO's March 24, 2014 motion for permanent waiver, this FERC Order granted CAISO an extension of time to begin a stakeholder process by the end of November 2015 and to file tariff modifications addressing this issue no later than April 30, 2017.

In an effort to restart discussions, this Issue Paper included a re-print of CAISO's October 9, 2008 proposal on the subject, which was originally the result of FERC's September 21, 2006 Order. On December 21, 2015, CAISO hosted a conference call to discuss the Issue Paper and solicit initial comments. The only data presented by CAISO, that depicts experience gained after major market changes, was data that showed Real-Time BCR costs compared to total BCR costs (IFM+RUC+RT) had increased from 47.4% to 51.6% following the implementation of Order 764 (Fifteen Minute Market) in May 2014. During the period of May 2014 to September 2015 total BCR costs ranged from approximately \$3.5 million to \$12.5 million per month. Thus, there continues to be good cause for creating multiple tiers to allocate these costs, with at least 1 tier that is based on CAISO's cost allocation guiding principles. California Department of Water Resources State Water Project (SWP) appreciates the opportunity to submit comments on Two-Tier RT-BCR Uplift Issue Paper and looks forward to CAISO developing an equitable cost allocation methodology based on cost causation.

Comments

First, SWP recommends that CAISO update the October 9, 2008 proposal to reflect the current Tariff. It would be helpful if CAISO could further analyze market and systems data, since Market Participants lack or have confidentiality conflicts with access to other participants' data, and present this analysis to stakeholders. Describing to stakeholders how metrics that are obtainable individually by Market Participants would affect costs under the two currently proposed options (after being updated) and providing examples under various scenarios would aid stakeholders during this effort. Also, CAISO could identify drivers or metrics that can be determined with reasonable effort or already exist in the market design or current reporting and explain their effect on Real-Time uplift.

SWP prefers Option 1, where generation, load, and virtuals that add to the need for incremental or decremental energy and increase uplift should be allocated a portion of these costs. The volatility of RT-BCR and the continued addition of costs that can be recovered through BCR are of concern when those paying the cost are not causing the need for the uplift. SWP also believes the equitable distribution of Tier 2 costs requires that socialized demand include Unaccounted for Energy (UFE).