

Stakeholder Comments Template

RI Phase 2 – Day-of Market 7/6/11 Initial Straw Proposal

Submitted by	Company	Date Submitted
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This template is for submission of stakeholder comments on the topics listed below, covered in the RI Phase 2 – Day-of Market 7/6/11 Initial Straw Proposal posted on July 6, 2011, and issues discussed during the stakeholder meeting on July 11, 2011.

Please submit your comments below where indicated. Your comments on any aspect of this initiative are welcome. If you provide a preferred approach for a particular topic, your comments will be most useful if you provide the reasons and business case.

Please submit comments (in MS Word) to phase2ri@caiso.com no later than the close of business on July 22, 2011.

WPTF is pleased to submit these initial comments on the CAISO’s July 6, 2011 RI Phase 2 “day of” market proposal. We offer some principled comments here, followed below by any additional information we can provide responsive to the CAISO’s specific template information request.

- A. Regarding new products, WPTF believes that while a forward vision is productive the CAISO must primarily focus on solutions that address current needs that have surfaced already. Phase 2 must provide a market mechanism for the forward flexibility needs of flexiramp, address MOC compensation, and provide market-based approaches for inertia, frequency and voltage.
- B. More information and discussion is needed about RTIS. New products may best meet the CAISO’s needs, but thus far it is not clear how the RTIS product meets current or expected needs. WPTF would like the ISO to provide more linkage between the renewable integration studies and the need for a one-minute dispatchable service such as RTIS service. Additionally, we have a lot of questions about how RTIS is intended to work and how it will work in conjunction with other services and needs such as the feasibility of a 1-minute manual dispatch, its impact on regulation, how it will be used relative to the energy stack and the other ancillary services that have been more contingency based.
- C. The CAISO should avoid RUC-creep. RUC was intended to fill the gap between forecast load and scheduled load commitment. If the CAISO needs additional functionality it should be developed distinct of RUC, especially in light of RUC’s interconnection with RA contracting and the adverse impacts that changing the must-offer related expectations would have, given the extensive array of bilateral contracts that have been executed around the current RUC scope.

- D. While the issue about what to do with HASP is not directly tied to managing renewable variability, this issue has no other place for resolution at the ISO and it must be resolved. The ISO must continue to look for immediate resolutions to the HASP issues that will provide a viable market for intertie transactions including maintaining convergence bidding (or reinstating convergence bidding should convergence bidding at the ties be temporarily suspended).
- E. While a the particular solution to the HASP and intertie scheduling is not yet being offered by WPTF, we will offer some principle-based observations and recommendations.
- Settling for energy transactions between internal and external resources should be conformed such that internal and external resources (and conversely external sales) are settled using prices determined in the same market run(s). This is necessary to overcome current fundamental problems such as the RTIEO uplift. The challenge to surmount is how to do this in the short run (before sub-hourly intertie scheduling is available and liquid) and without overly investing in re-establishing a full HA market if there are other alternatives to conforming the settlements.
 - Sub-hourly scheduling is an end goal that the CAISO markets should work toward. However, the CAISO should not “hang its hat” on this as a solution to current ISO market deficiencies, both because implementation of a sub-hourly market will take the CAISO some number of years to put in place and because we do not expect that a sub-hourly market in the WECC can be sufficiently robust and liquid to satisfy the CAISO’s grid needs and to provide a good post- day-ahead market.
 - The CAISO could continue to consider HA intertie market design alternatives such as those outlined in the July 6 white paper. However, such solutions will not be workable unless the ISO includes in the design a bid cost recovery mechanism for intertie transactions such that parties’ settling is made consistent with their bids (e.g., bid or higher for sales, and bid or lower for purchases). Without such a BCR recovery mechanism, such approaches would create unmanageable risk for intertie participants and would as a result significantly reduce liquidity and/or create new undesirable distortions in intertie participation and results.

1. Please provide any comments on the ISO’s proposed schedule, timeline, or process for this stakeholder process.

We do not have strong, specific comments at this time, although the CAISO’s proposal seems to suggest that the ISO it is somewhat fixed in its proposal already. We encourage the CAISO to stay open minded and to ensure all tangible issues are addressed. We’d also like to see a discussion of the merits of using existing services in lieu of new services (e.g., more regulation instead of RTIS) for simplicity purposes.

2. Are there additional goals or operational challenges that the ISO should be addressing through this stakeholder process?

3. Compensation for inertia and voltage support should be addressed at some point.
4. 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.

We generally agree.

5. Please provide your organization's views on any incremental ancillary services you believe are necessary to accommodate the intermittency of renewable resources.

Since the CAISO is intending to use flexiramp it should certainly be addressed at this time, as it is unclear how RTIS will fulfill the ISO's needs to have ramping and on line resources set aside in a forward timeframe. We also suggest an explicit consideration of the expanded use of existing services for the needs vs. adding new services such as RTIS.

6. 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?

RUC was designed to commit units in the DA if bid-in load did not result in sufficient commitments for reliability. Alternate products should be designed if commitment for load forecast error is required after the close of the DA.

7. 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.

In addition to our general comments above, WPTF is concerned about the risks to parties transacting at the ties if there is no way to economically bid offer to the let the ISO adjust schedules after the DA. Given those concerns WPTF does not support the proposals the CAISO has put forth thus far. Rather, there needs to be some means to have the CAISO economically adjust schedules and take inertia post DA balancing economically. Further, treatment of post DA schedule changes should be technology neutral, meaning that schedule changes and/or economic bidding for variable energy resources (VERs) should not be different than for non VERs. To carve out special treatment for VERs is discriminatory.

6. Does your organization prefer a two settlement market or a three settlement market? Please describe why.
7. Please see our general comments “D” and “E” above.
8. Please provide your organization’s feedback on the concept of a 1 minute Real Time Imbalance Service (RTIS).

As indicated in our general comments, it is unclear from the studies that the 1-minute product is needed. WPTF would appreciate more exploration of the underlying drivers. Also the feasibility of a manual 1-minute dispatch is not evident.

- a. Does your organization agree that with RTIS, regulation should be changed to a bi-directional service?

It is unclear how reg and RTIS would work together and how a bi-directional reg would work (e.g., be limited to the lowest directional ramp rate at any time?). This needs further discussion.

- b. Is one minute the correct dispatch interval for RTIS?

See previous responses.

- 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?

Again, until we are clearer about the need this is fulfilling it is not possible to properly address this question. We do question the reasonableness of any ancillary services that differentiate by ramp rates but pay one capacity price, and how this would actually be implemented/executed.

- d. Does your organization’s opinion on RTIS differ depending on whether Option A or Option B is chosen?

We prefer to address the other issues above, before addressing such a level of detail as included in this question.

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.

WPTF prefers a solution that optimizes commitment post day ahead, rather than simply relying on intervention or a new RUC process to ensure sufficient units are committed by real-time.

- a. Would 15 minute real time prices enable price responsive demand or demand response?

It depends, but it's too soon (early in the design processes) to tell.

- b. In Option A, with 15 minute RTED, what is your organization's opinion about a 10 minute ramp period?

WPTF has not developed an opinion at this level of detail yet.

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

All resources should be able to schedule on the shortest basis that is feasible and supported by commercial transactions. All technologies should be treated the same.

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

WPTF believes more fundamental issues (articulated above) should be addressed before we address this level of detail.

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

WPTF believes more fundamental issues (articulated above) should be addressed before we address this level of detail.

- 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?

As indicated above, treatment of post DA schedule changes should be technology neutral, meaning that schedule changes and/or economic bidding for variable energy resources (VERs) should not be different than for non VERs. To carve out special treatment for VERs is discriminatory

11. Please provide any other comments your organization would like the CAISO to consider through this initiative.