

Mitigation of Exceptional Dispatches for Local Reliability



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Background

- 🌐 **MRTU tariff provides CAISO with broad authority to issue Exceptional Dispatches to maintain reliability.**
- 🌐 **Potential reasons for Exceptional Dispatches include:**
 - **System Energy**
 - **Reliability requirements not incorporated or fully met by MRTU network model**
 - **Other unit operating or environmental constraints not incorporated in MRTU model**
- 🌐 **Two types of Exceptional Dispatches:**
 - **Unit commitment (at minimum operating level)**
 - **Energy (above minimum operating level)**

Background (Continued)

- Under current MRTU tariff, Exceptional Dispatches for energy are paid the higher of the unit's:
 - Market Energy Bid Price, or
 - Locational Marginal Price (LMP)
- If Exceptional Dispatches are needed for local or unit level reliability requirements, units may exercise market power by submitting extremely high bid prices (e.g. at or near \$500 bid cap).
- Thus, even if Exceptional Dispatches are relatively limited, cost impacts could be significant.

Proposed Tariff Changes

- Payment for some Exceptional Dispatches for energy would be limited to the higher of the unit's:
 - Default Energy Bid (DEB), or
 - LMP
- Mitigation would only apply to Exceptional Dispatches for:
 - Reliability requirements associated with non-competitive transmission constraints
 - Other special unit operating or environmental constraints not incorporated in MRTU model
- Mitigation would not apply to Exceptional Dispatches for:
 - System-wide energy needs
 - Congestion on competitive transmission constraints

MRTU Implementation Impacts

- 🌐 **Proposed mitigation can be implemented without change in scope or functionality of MRTU software using manual approach if necessary.**
- 🌐 **Reasons for Exceptional Dispatches must be will be logged by operators.**
 - **FERC has already required CAISO to post detailed information on Exceptional Dispatches on OASIS.**
- 🌐 **Payment adjustments may be applied through a manual settlement workaround.**
 - **Mitigation does not effect any market prices.**
 - **Settlement adjustments could be made after normal settlement cycle.**

Stakeholder Comments

- 🌐 **CAISO proposal strongly supported by LSEs and CPUC**
- 🌐 **Generation owner concerns/comments:**
 - **CAISO should minimize use of Exceptional Dispatches.**
 - **CAISO should wait to see if market power is problem before proposing mitigation for Exceptional Dispatches.**
 - **Local reliability requirements should be met by RMR/RA units.**
 - **Compensation is inadequate**