

Stakeholder Process: Mitigation of Exceptional Dispatches

Summary of Submitted Comments

Stakeholders submitted two rounds of written comments to the CAISO on the following dates:

- Round One, December 12, 2007
- Round Two, January 14, 2008

Stakeholder comments are posted at:

<http://www.caiso.com/1c89/1c89d76950e00.html>

Other Stakeholder efforts include:

- Conference calls
 - January 7, 2008
- A whitepaper describing this issue and the initial proposal was developed by the Department of Market Monitoring.
 - *Mitigation of Potential Market Power Under MRTU Exceptional Dispatch Provisions*, Department of Market Monitoring, November 30, 2007 (<http://www.caiso.com/1ca9/1ca98ee3221f0.pdf>)
- A paper providing additional information and responses to initial written comments submitted by stakeholders was developed by the Department of Market Monitoring.
 - *Summary and Initial Response to Stakeholder Comments: DMM Whitepaper on Mitigation of Potential Market Power Under MRTU Exceptional Dispatch Provisions*, Department of Market Monitoring, January 3, 2008, 2007 (<http://www.caiso.com/1f43/1f43eb696b510.pdf>)

Management Proposal	CPUC	SCE and PG&E	Western Power Trading Forum and Constellation/NRG/Reliant	Management Response
Mitigation of Exceptional Dispatches (ED) Needed	Support	Support	<p>Oppose</p> <p>The CAISO should rely on market mechanisms to meet reliability requirements, as market power mitigation is already incorporated in the MRTU market software.</p> <p>The CAISO already has a number of other tools to mitigate market power such as Resource Adequacy (RA), which should be procured to meet reliability needs.</p>	<p>The CAISO will seek to maximize reliance on the MRTU software and market bids to meet reliability requirements, and will issue Exceptional Dispatches only to meet requirements that cannot be met by the MRTU market software and/or market bids.</p> <p>Sufficient energy bids from RA capacity should almost always be available to meet reliability requirements. However, RA units only have a must-offer obligation, and are not subject to special energy price mitigation if dispatched for real-time energy under Exceptional Dispatch to meet constraints not incorporated in the MRTU model.</p>
<p>Categories of ED to which Mitigation is Applied</p> <p>Mitigation applied to ED associated with local grid and unit constraints where market power likely to exist.</p> <p>Mitigation not applied to ED for system energy and relieve of congestion on competitive paths.</p>	Support	Support	<p>Oppose</p> <p>If mitigation of ED applied, it should be based on clearly defined metrics to test for market power and need for price mitigation.</p>	<p>Initial DMM proposal suggested mitigation may be applied when ED needed for any "non-system energy" constraint not modeled or met by MRTU software.</p> <p>Based on stakeholder comments and further consultation with Operations staff on implementation feasibility of logging EDs in different categories, the initial proposal was modified to clarify that ED for system energy and relieve of congestion on competitive paths would not be subject to mitigation.</p> <p>The specific categories of ED for which mitigation would be applied are designed to reflect conditions under which locational or temporary real-time market power is highly likely to exit due to system or unit operating constraints not incorporated in MRTU software.</p> <p>Due to inherent difficulty of knowing the nature of ED needed for constraints not met by the MRTU software, it is not feasible at this time to develop an automated quantitative metric for determining market power that could be applied by operators in real-time when making ED or that could be applied afterwards as part of the settlement process based on system conditions and reliability needs recorded by operator.</p>

Management Proposal	CPUC	SCE, PG&E and CDWR	WPTF and Constellation/NRG/Reliant	Management Response
Level of Price Mitigation (Higher of DEB or LMP)	<p>Oppose</p> <p>Recommending limiting payment to DEB</p> <p>Concerned that if Exceptional Dispatches are paid higher of DEB or LMP, this may create incentive for suppliers to withhold from RA program or avoid ICPM designation.</p>	<p>Support</p> <p>PG&E expressed concern that LMPs paid for Exceptional Dispatches may be very high and exceed price cap due to lack of market bids.</p>	<p>Oppose</p> <p>Objects that proposal prevents suppliers from receiving their market bid price, unless based on clearly defined metrics to test for market power and need for price mitigation.</p>	<p>DMM believes market outcomes under proposed approach will closely mirror automated LMPM provisions in MRTU software.</p> <p>Allowing ED to be paid LMPs when mitigated will not create any incentive for suppliers to withhold from RA program or avoid ICPM, since non-RA/ICPM units would be subject to same ED price mitigation provisions as RA/ICPM units.</p> <p>Real-time LMPs that may be paid for ED under proposed mitigation will reflect overall system conditions, and should only be high when warranted by actual system or local conditions.</p> <p>Paying the higher of units DEB or the LMP mirrors payment suppliers would receive under competitive market conditions; paying market bid prices in excess of this level when an individual supplier locational or temporary market power may exist creates potential for excessive costs due to market power.</p>
Same Mitigation Applied to RA/ICPM Units and non- RA/ICPM Units.	<p>Support</p>	<p>Support</p>	<p>Oppose</p> <p>RA capacity should be sufficient to meet grid reliability needs.</p> <p>Mitigation of ED for non-RA units diminishes incentive for CAISO and LSEs to procure RA/ICPM capacity to meet grid reliability needs.</p>	<p>If non-RA/ICPM units that may have local market power are not subject to same ED price mitigation provisions as RA/ICPM units, this would create incentive for suppliers to withhold from RA program, demand higher price for local RA contracts due to local market power, and/or refuse ICPM designation.</p> <p>The CAISO will continue to base RA/ICPM designations on levels needed to meet reliability needs.</p>
Information of Exceptional Dispatches Provided to Participants	<p>No Comment</p>	<p>No Comment</p>	<p>Position:</p> <p>WPTF proposed that detailed information on each Exceptional Dispatch post within one hour, and be subjected to review through the stakeholder process.</p>	<p>CAISO is required by FERC Order to post hourly data on ED volumes and costs on OASIS. CAISO will seek to post more detailed information on aggregated hourly ED volumes and costs for each of the various reasons for ED, including categories subject to mitigation and those not subject to mitigation.</p> <p>CAISO agrees that it may be appropriate to review trends in reasons for ED and associated as part of the CAISO market reporting and stakeholder process once data becomes available.</p> <p>Reporting unit-level ED for each hour, as proposed by WPTF, may violate confidentiality provisions of tariff.</p>