

Stakeholder Process: Uneconomic Adjustment Policy

Summary of Submitted Comments

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

- Round One, 05/23/08
- Round Two, 06/20/08

Stakeholder comments are posted at: <http://caiso.com/1fb1/1fb1b2f7c080.html>

Other stakeholder efforts include:

3/25/08	Presentation to stakeholders by Jim Price on role of parameter tuning in MRTU Implementation
5/6/08	Issue Paper posted
5/9/08	Conference Call with MSC Chair
5/13/08	Stakeholder Meeting to discuss Issue Paper
5/23/08	Comments due on Issue Paper
6/9/08	Draft Final Proposal posted
6/13/08	Conference Call to discuss Draft Final Proposal
6/20/08	Comments due on Draft Final Proposal

Management Proposal	Southern California Edison & Pacific Gas & Electric	Western Power Trading Forum (all comments supported by Dynegy)	Silicon Valley Power (SVP), Transmission Agency of Northern California (TANC) & Metropolitan Water District of Southern California (MWD)	California Dept. of Water Resources – State Water Project (SWP) and California Public Utilities Commission (CPUC)	Management Response
<p>Make minor revisions to the tariff which relaxes the requirement to use <i>all</i> economic bids before adjusting self-schedules.</p>		<p>WPTF – Allowing out of merit uneconomic adjustments before all economic bids have been exhausted creates a possibility of unwarranted market intervention and inappropriate market price suppression</p> <p>CAISO should encourage stakeholders to submit economic bids. Self schedules frustrate the CAISO’s efforts to provide optimal outcomes</p>		<p>CPUC – Supports the modification of the tariff to reflex necessary flexibility to adjust self-schedules to relieve adverse system conditions.</p>	<p>This tariff amendment is required to avoid rare situations that could potentially lead to extreme adjustments that are not operationally and economically reasonable.</p>
<p>The CAISO intends to honor the rights of Existing Transmission Rights (ETCs) & Transmission Ownership Rights (TORs) as approved by FERC.</p>			<p>SVP – As currently proposed the Parameter Tuning Proposal appears to create new, unnecessary risks of curtailment of ETCs contrary to the CAISO’s commitment to honor existing rights.</p> <p>TANC – The ISO’s proposal would subject ETCs to greater risk of curtailment.</p> <p>MWD – Market Participants need a</p>	<p>SWP – Oppose any market curtailment of ETC rights. SWP needs more specific information regarding the parameter tuning effort.</p>	<p>Parameters will be set to honor priorities for ETC’s and TOR’s in accordance with the FERC approved mandate. Testing and monitoring will continue to ensure that these commitments are met.</p>

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			better understanding of the circumstances in which uneconomic adjustments may affect ETC and TOR self-schedules.		
Scheduling Run Parameters will be documented on CAISO website. Pricing Run Parameters will be documented in the Business Practice Manual (BPM).	<p>SCE – Pricing Run parameters should be included in the MRTU tariff, not in a BPM.</p> <p>PG&E – Incorporate both sets of parameters in the BPM.</p>	<p>WPTF – Penalty prices should be in the tariff, not in an Operating Procedure. At a minimum they should be in a BPM utilizing the BPM change management process.</p>	<p>SVP –The CAISO should publish both the scheduling run and pricing run parameters in the Tariff. At a minimum the scheduling run parameters should be in the BPM.</p> <p>TANC – Scheduling Run and Pricing Run Parameters should be published in the Tariff.</p> <p>MWD – The CAISO should publish scheduling and pricing run parameters in the tariff.</p>		Management had agreed with stakeholders that the pricing run parameters should be in the BPM process and use the BPM Change Management Process. The scheduling run has to do with the operational feasibility of priority rankings and thus will be posted on the CAISO website and the change procedure will be explained in an operating procedure.
The applicability of individual parameter settings falls under the Parameter Maintenance effort.	<p>SCE – Objects to certain pricing run parameters set by the CAISO. Prices need to be in line with bid caps. Suggests that the CAISO could set prices administratively, allowing them to reach levels no higher than 2 or 3 times the bid cap.</p> <p>PG&E – Pricing run parameters should not</p>	<p>WPTF – Negative bid penalty price should be equal to the magnitude of the positive cap (but with the opposite sign). This would allow the appropriate incentives and also help to manage over-generation conditions.</p> <p>A threshold of 10% for relaxation of a constraint is too high.</p>		<p>CPUC – When a penalty price sets the LMP this price should go no higher than 3 times the energy bid cap.</p> <p>When the penalty prices trigger operational requirements in the scheduling run, these requirements should be moved into the pricing run as additional operational constraints.</p>	<p>The CAISO continues to test and refine the parameters settings as part of scenario testing with market participants. The CAISO will continue to work closely with Stakeholders to ensure that parameters are set properly. The Board is not being asked to set specific parameter values.</p> <p>The CAISO has reviewed other ISO’s practices and believe our process is appropriate for the way in which our software is configured. It is important to ensure parameter setting reflects prudent operating practices.</p>

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	exceed energy bid cap.	<p>CAISO should employ a shadow price-based threshold. This should be the basis for the penalty prices used to relax self-schedules.</p> <p>CAISO should provide information about operational practices that were used to determine effectiveness factors.</p> <p>Pricing run values must produce pricing results and a system dispatch that are consistent with systems dispatch results from the scheduling run.</p> <p>MISO and PJM have lower effectiveness thresholds than CAISO's 10%. ERCOT will be employing a formulaic approach to setting penalty prices that the CAISO should analyze their methodology.</p>		CPUC – Penalty prices in the Scheduling Run seem reasonable.	
The CAISO will conduct its parameter maintenance efforts in an open and transparent manner	SCE – Stakeholders should be informed of parameter settings and changes to parameter settings.	WPTF – The stakeholder process should share the results of market simulations and testing. The final rules should promote	SVP – The CAISO's primary goal should be to test a well-designed Parameter Tuning process as opposed to rushing through the		<p>The CAISO continues to test and refine the parameters settings. We will continue to maintain an open and transparent process.</p> <p>The market simulation uses the most current set of parameter values that have been assembled from</p>

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for all Market Participants.	<p>PG&E – Scheduling Run Parameters need robust testing. Also the performance of the parameters in the market simulation will be an indication of reasonableness.</p> <p>CAISO should release a Parameter Tuning communication plan. Market Participants should be informed when prices are administratively set through penalty prices during the simulation.</p>	<p>transparency.</p> <p>Perverse incentives that are identified should be shared with stakeholders.</p> <p>There should be a transparent process around uneconomic adjustments.</p>	<p>process in order to meet a self-imposed implementation deadline. Establishing effective Parameter Tuning values can only be achieved by balancing the interests of all Market Participants.</p> <p>TANC – The CAISO proposal to bifurcate the Parameter Tuning process makes it impossible to understand the magnitude of risk of curtailment to ETCs. The CAISO should commit to providing ample time for testing.</p> <p>MWD – The CAISO should release implementing tariff text as soon as possible.</p>		<p>parameter testing and analysis. This data is available to stakeholders.</p> <p>The parameters that will be set will comply with all requirements that are published in the tariff.</p>
CAISO management intends to set parameter values to price ancillary services as specified in the Tariff.	<p>SCE – Ancillary service pricing rules unclear. Please provide additional examples.</p> <p>PG&E – Would like an additional opportunity to discuss the issue of ancillary services under deficiency conditions.</p>				<p>Examples will be developed reflecting a number of market conditions and will be provided to stakeholders through the Parameter Maintenance process. CAISO Management has determined that Tariff changes are not necessary.</p>
The Tariff provides a process for LAP clearing.				<p>CPUC – Since there is no locational information, when non-</p>	<p>Examples will be provided through the Parameter Maintenance process. In response to a FERC Order, a compliance filing will be submitted to clarify this</p>

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				participating load is reduced in a LAP it is credited proportionally to all the PNodes with in the LAP creating problems when load pockets arise.	process within the Tariff.