

Stakeholder Comments

Bid cost recovery (BCR) and variable energy resource (VER) settlement Straw proposal

| Submitted by | Company | Date Submitted |
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The following are Southern California Edison’s (SCE) comments on the California Independent System Operator’s (CAISO) April 30, 2015, Straw Proposal¹.

Self-scheduled (SS) resources, VER or non-VER, should not be eligible for BCR

Consistent with market policy and economic incentives, self-scheduled resources should not receive BCR compensation in the CAISO market. CAISO should investigate the reasons why self-scheduled VER resources can receive BCR and make corrections.

The CAISO should ensure that the proposed BCR changes are not subject to gaming

Due to the frequency of BCR emergency filings in the recent years and the magnitude of manipulation associated with them, the CAISO should reasonably vet its proposed design changes to mitigate the risk of abuse.

When appropriate, economically bidding VERs should be treated as conventional resources

It is SCE’s understanding that the CAISO proposal applies the same residual imbalance energy (RIE) treatment to economically bidding VERs as well as conventional resources. SCE supports such equal treatment. SCE understands the reasoning behind settling forecast changes against LMP, and settling dispatch changes against reference hour bid price or default energy bid price (DEB) depending on Performance Deviation Metric, for economic bid VERs, but not for self-scheduled VERs.

¹ http://www.caiso.com/Documents/StrawProposal_BidCostRecovery_VariableEnergyResourceSettlement.pdf

Persistent Deviation Metric (PDM) for self-scheduled variable energy resources

The objective of Persistent Deviation Metric (PDM) is to incentivize a resource to follow the CAISO dispatch. The dispatch instruction for a self-scheduled VER resource is the latest and greatest VER forecast. This forecast information is not known to the VER resource before-the-fact and the forecast can be less than perfect. A self-scheduled VER resource deviating from its forecast is most likely due to an imperfection in the forecast. Applying PDM to a self-scheduled, price-taker VER will not incentivize the VER resource to change its behavior, therefore it is not a meaningful tool to mitigate deviations for self-scheduled VER resources.

DEB calculation for VERs

SCE supports the Market Surveillance Committee's (MSC) continued study of this topic, and along the lines of the MSC's suggestions², urges the CAISO to consider the approach³ of the Bonneville Power Administration (BPA), and other ISO/RTOs.

Day-ahead metered energy adjustment factor (DA MEAF)

SCE supports CAISO's efforts to enhance the calculation of DA MEAF.

Ramp rate for variable energy resources

Ramp rate for self-scheduling VERs and economically bidding VERs should be consistently defined to represent the maximum upward or downward ramp as well as reflect the physical characteristics of the units. While VERs may have very large physical ramp rates, the dispatch of VERs should also consider the potential impact due to a sudden change in voltage and frequency from VER generation. Thus, the establishment of a meaningful ramp rate appropriate for each generator would likely result from determining the lesser of the acceptable ramp rates determined from the following:

- The basic capability of the generator's rate of change of output.
- The physical or thermal stress limitation on the machine caused by a change in output.

² http://www.aiso.com/Documents/Discussion_BCR_VER_SettlementModifications-MSC_Presentation-April2015.pdf

³ BPA uses resource submitted costs to generate a least-cost displacement curve which it uses to represent default energy costs.
http://transmission.bpa.gov/ts_business_practices/Content/9_Redispatch_and_Curtailment/Oversupply_mgt_protocol.htm