# Stakeholder Comments

# Two-Tier Allocation of Real-Time BCR uplift

| Submitted by | Company | Date Submitted |
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| Aditya Chauhan – (626) 302-3764<br>Caroline Pan – (626) 303-3238 | Southern California Edison | January 15, 2015 |

The following are Southern California Edison's (SCE) comments on the California Independent System Operator's (CAISO) November 24, 2015 Issue Paper[1].

**SCE does not support hourly RT BCR allocation**

Unit commitment decisions in RT are based on look-ahead optimization that includes costs that span across multiple hours for each individual commitment. Treating the costs in terms of hour granularity is inappropriate since the correct constraints would be to recognize these costs being interrelated and aggregating them as a whole.

**SCE requests clarifications and recommends further refinements of the CAISO proposal**

SCE recommends that the CAISO explore the policy inconsistency in Tier 1 IFM BCR cost allocation methodology and the new Resource Adequacy Availability incentive mechanism (RAAIM) expected to go live on March 1, 2016. Tier 1 IFM BCR cost allocation provides an incentive for SCs to self-schedule generation and imports while reducing an SC's uplift obligation for Tier 1 IFM BCR. However, the RAAIM discourages SC self-scheduling by counting self-scheduled flexible RA resources as unavailable and subject to possible capacity unavailability charges. Such inconsistency must be rectified. Additionally, units losing RT BCR payments due to persistent UIE performance metric penalties should not be subject to RT BCR cost allocation, which would be a double penalty.

Further, SCE requests a detailed breakdown of the RT BCR cost components. Stakeholders' ability to make an informed decision on their positions depends upon identifying individual unit

[1] http://www.caiso.com/Documents/IssuePaper_Two_TierAllocationofReal_TimeBidCostRecoveryUplift.pdf

commitment costs for start-up and minimum load to distinguish their contributions from that of energy bid cost. SCE requests that, if feasible, the CAISO identify the reasons associated with each occurrence of unit commitment costs and energy bid costs. SCE requests clarification on whether commitment costs for short start units that receive non-binding commitment instructions in RUC have those costs counted in RUC or RT BCR allocation. If these costs are counted in RT BCR, then a refined proposal should consider the feasibility of allocating a portion of RT BCR to virtual suppliers based on net virtual supply position[2].

Finally, the CAISO should evaluate and present the cost-benefit analysis of modifying the existing allocation methodology into a two-tier structure.

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[2] As noted Q3 2015 Report on Market Issues and Performance by DMM, "high volumes of net virtual supply combined with periods of high loads in July and August caused the residual unit commitment process to commit more resources. While most of the resources committed by the residual unit commitment were short-start resources, which do not receive binding commitment instructions, most of the residual unit commitment bid cost recovery in the third quarter was associated with the commitment of long-start resources." The report can be accessed through the link below.
http://www.caiso.com/Documents/2015ThirdQuarterReport-MarketIssuesandPerformance-November2015.pdf
(Page 24)