

Comments on Pay for Performance Regulation Year 1 Design Changes Issue Paper and Straw Proposal

September 17, 2014

On September 3, 2014, CAISO posted an Issue Paper and Straw Proposal for the Pay for Performance Regulation Year 1 Design Changes. CAISO hosted a web conference on September 10, 2014 to discuss the proposed changes. California Department of Water Resources State Water Project (SWP) appreciates the opportunity to submit comments.

Summary:

During the Pay for Performance (PFP) stakeholder process, CAISO anticipated the need for changes to the PFP market design after one year of operational experience. Shortly after the implementation of PFP, ISO observed that a large majority of its regulation resources did not meet the minimum performance threshold of 50% which puts these resources at risk of becoming decertified to provide regulation services. In order to avoid major market disruptions, CAISO requested a limited waiver for tariff sections 8.2.3.1.1, 8.4.1.1(h), and Appendix K, Part 1.15 on January 10, 2014. In the Pay for Performance Regulation Year 1 Design Changes Issue paper and Straw proposal CAISO proposed two changes to the PFP market design: 1) modify the monthly accuracy calculation to use a weighted average in lieu of a simple average and 2) reduce the minimum performance threshold to 25%.

Comments:

SWP supports the change to use the weighted average in lieu of the simple average to calculate the monthly accuracy, the weighted average is a better representation of monthly accuracy than the simple average.

SWP also supports the reduction of the minimum performance threshold to 25%. As the Issue Paper and Straw Proposal indicated, the system risks losing over 78% of its regulation resources should the minimum performance threshold remain at 50% which puts system reliability in danger. SWP also agrees that with more experience with the regulation performance metrics, the CAISO can propose to make adjustments to the performance threshold.