

DC Energy, Comments on Contingency Modeling Enhancements

Submitted by	Company	Date Submitted
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DC Energy appreciates the opportunity to comment on the CAISO's August 11, 2017 Draft Final Proposal and Technical Analysis for the Contingency Modeling Enhancements (CME) initiative. Overall, we continue to believe that the CME proposal contains numerous benefits in the areas of congestion price signals and reduced operational use of exceptional dispatch and minimum online commitment constraints. Our comments focus on the technical analysis and the policy decision to not settle Congestion Revenue Rights (CRRs) on the preventive corrective constraint.

We support the CAISO's decision to ensure the CME proposal ensures revenue adequacy in the CRR market. We believe this is an important consideration, but note there were numerous proposals that would achieve this result. The CAISO selected the option to not settle CRRs on the preventive corrective constraint due to the prototype results showing the preventive corrective constraint would rarely bind in practice. The CAISO's projection might come true, but we do not find the technical analysis robust enough to support this far-reaching conclusion. The technical assessment only included 2 weeks of parallel operations testing and 12 stress test cases. While we can appreciate the fact that these were resource intensive efforts, it seems premature to make a conclusion regarding how often the CME constraint may bind in production; especially given the proposal was extended to all System Operating Limits and is no longer limited to the eight WECC paths. In our previous comments, we supported CRR Alternative Option 3a, as it bifurcates the congestion components of the k and kc constraints into two separate CRR products that clear on separate bids (i.e. CRRkc and CRRk). This approach aligned the constraint type with the CRR product type and contained numerous advantages that we listed in our previous comments. We still support 3a, however given the CAISO's intention to advance the CME proposal to the CAISO Board in September we realize it is unlikely that the CAISO will revise its proposal. Instead our request, at this stage of the initiative, is that the CAISO is required to track the amount of congestion settled on each binding preventive corrective constraint in both the IFM and real-time markets and report the findings at upcoming Market Planning and Performance meetings through 2019. Furthermore, we propose a review of the CAISO's policy decision to not settle CRRs on the CME constraints when the total congestion amount for all CME constraints over trailing six-month period reaches \$15 million in the IFM or real-time markets.

The CAISO selected an easy option to implement, but as with most things that are easy, there are also tradeoffs. In this case, a core market product (i.e. CRRs) that provides an opportunity to manage price risk associated with binding constraints is weakened. Again, the CAISO might be right that the preventive constraint congestion contribution may be de minimis; however, the CAISO has neglected to provide any assurances as we

move forward. Also, it is known that we will quickly accumulate production information for the CME constraints and it makes sense to conduct a review to make sure the best policy decision was made. The CAISO market products are vital to risk management and proposals that have the potential to materially weaken this purpose should be carefully examined and adequate checks should be in place. For this reason, DC Energy submits the ISO should report the dollar impact of the CME constraints and institute a materiality threshold as described above.

Lastly, market transparency is important to uphold and should be in place when CME is implemented. DC Energy wanted to confirm that the same level of transparency would exist for the CME constraints as what currently exist for the preventive constraints. That is, all the OASIS postings for binding constraints, contingency definitions and the like will be available for the CME constraints just as with preventive constraints today. Also, it would be useful for the CAISO to publish detailed implementation plans that show the phased roll-out of CME and which operational constraints it would apply to first.