

**Stakeholder Process: Transmission constraint relaxation parameter change**

**Summary of Submitted Comments**

Stakeholders submitted two rounds of written comments to the ISO on the following date: Round One: 11/1/2012, Round Two, 11/28/12

Stakeholder comments are posted at: <http://www.caiso.com/informed/Pages/StakeholderProcesses/TransmissionConstraintRelaxationParameterChange.aspx>

Other stakeholder efforts include: None

Participant	Position	Proposal to change the penalty parameter	Studies and data provided to support the proposal	Proposed change of the penalty price from \$5000 to \$1500	Drivers for high congestion costs	Schedule and scope of the proposal	Alternatives
Calpine	Does not support	Does not support the proposal. Prefers the ISO to address fundamental structural issues and test the current mitigation measures.	Analysis inadequate. Sample size too small.	Amounts to price cap which would strip millions of dollars of revenues from physical and virtual supplies in some local constrained areas in need of investment signals. May limit the use of highly effective resources.  Should have a sunset date within 12 months of implementation. Raise the effectiveness factor threshold from 2%.	Structural issues.		
CDWR	Supports	Should evaluate if the parameter can be further reduced to \$1,250.		Strongly believes that the transmission constraint relaxation parameter should be reduced as low as possible to mitigate the recent unreasonably high real-time congestion offset costs.			
DC Energy	Not in favor	Proposal is short sighted. More effort should be given to longer-term impacts.	Insufficient number of intervals in the sensitivity analysis.	It would erode price signals for reliable and efficient operations, new resource development, demand response and import/outage scheduling. Increased out-of-merit dispatch would not foster long-run efficiency.			Focus more on longer-term impacts.

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NRG	Not in favor	The proposal only addresses the symptoms, not the fundamental problem – ISO unable to manage real-time congestion.	Should provide data and analysis to explain why the proposed parameter is lower than other ISOs.	The reduction may only serve to reduce the incentive and urgency to deal with the fundamentals of this problem.	Not having or not using the tools to manage the real-time congestion lies at the heart of the problem.		Focus on addressing the fundamentals of this problem
PG&E	Supports	A reasonable step to address the magnitude of price spikes in the real-time market without compromising reliability.		It is prudent to address the high real-time congestion offset costs immediately through parameter change while it is important to address some root causes.		Urges the ISO to address the issue immediately.	
Powerex	Supports	Supports the efforts to address the dramatic rise in congestion related uplift charges. Concerned that the ISO continues to pursue approaches that primarily address the symptoms of market inefficiency as they arise rather than root cause.			A major cause of the high levels of unscheduled flow on path 66 is the WECC Reliability Based Control trial that permits balancing authorities to have very large imbalances in their real-time load-resource balance provided grid frequency is acceptable.	Have the same for all markets and in both scheduling and pricing runs.	Pursue immediate suspension of WECC Reliability Based Control trial.  Align day ahead and real time limits as much as possible.
SCE	Supports	Supports the parameter revision. Also supports the proposal of alternative efforts such as using demand curve, different parameter levels for different voltage levels.	Analysis provides sufficient support that \$1,500 would not harm market operations.	Urges to explore lowering the parameter to \$1,250. Also would like the ISO to address the uplifts driven by convergence bids that load is forced to pay even though it is not responsible for such costs.		Supports the expedited process for the proposal. Should be prioritized over other unnecessary initiatives.	
Six Cities	Supports	Asks to implement the parameter change as quickly as possible and consider further lowering the parameter to \$1,200.	Analysis provides reasons to reduce the parameter further.	Suggests reducing the penalty price beyond the proposed \$1,500 to a value of \$1,200. Also would like the ISO to address the uplifts driven by convergence bids to the extent that convergence bidding contributes to phantom congestion or exploiting the deficiencies in the model without contributing to price convergence.		Would like to implement the parameter change ASAP.	

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WPTF	Does not support	Does not support the proposal. Urges the ISO to address the root causes as its first priority.	The sensitivity analysis data set is too limited and therefore couldn't be used to argue for the law of diminishing return.	\$1,500 is too low because it limits the use of effective and/or economic bids to relieve congestion.		WPTF believes exceptional dispatch should not be relied upon when there are economic bids available for managing congestion.	
Management Response		The ISO will continue to address the root causes. However, independent of other actions taken and planned, parameter reduction provides meaningful and reasonable cost relief while maintaining operationally effective constraint relief.	<p>The ISO agrees there is value of revisiting the transmission constraint relaxation parameter mechanism to assess if further modifications are appropriate.</p> <p>The ISO commits to performing additional ongoing sensitivity analysis and provide updates to the market participants at the regularly held Market Performance and Planning Forum.</p>	<p>Raising the resource specific effectiveness threshold can be effective in some instances. However, it does not work when combinations of movement on resources have nearly the same individual effectiveness. In such cases, to achieve constraint relief, very ineffective combinations of movement and potentially high costs would occur. The ISO finds that lowering the transmission constraint relaxation parameter is a more direct and effective approach than raising the resource effectiveness factor threshold.</p> <p>At \$1,500, the relaxation parameter provides a reasonable and strong price signal at congested locations in need of investments.</p> <p>Reducing the parameter below the proposed \$1,500 could work. However, the risk of leaving out economic bids would increase. For example, if a resource with an effective factor of 50% on a congested constraint bids at \$700, it will not be dispatched by the market software to relieve the congestion because the cost of \$1,400 would exceed the relaxation parameter of \$1,250 or \$1,000. In addition, some difference between the economic bid cap and the transmission constraint relaxation parameter is appropriate to account for losses and self-schedules adjustment before constraint relaxation.</p>	The ISO continues to address other drivers to increased congestion offset including accounting for expected congestion when running the day-ahead market.	Exceptional dispatch is a useful and approved tool to manage reliability when the market optimization solution falls short. As demonstrated in the sensitivity analysis, the increase of the power flow is minimal with the lowered relaxation parameter. Such relaxation often falls within the range of margin between modeled and actual constraint limits. Therefore, the impact on exceptional dispatch is expected to be small.	The ISO will continue to address the root causes. However, independent of other actions taken and planned, parameter reduction provides meaningful and reasonable cost relief with minimal impact on effective constraint relief.