

Comments on the Catalog of Market Design Initiatives
Submitted by Brian Theaker, Dynegy
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The CAISO lists roadmap initiatives 7.2 (Voltage Support Procurement) and 7.3 (Black Start Procurement) as “Discretionary”. In September 2005, FERC ordered the CAISO to submit its plans for the implementation of competitive procurement these services. In January 2006, the CAISO submitted a proposed schedule which provided for competitive procurement of these services in 2009. While the timing for the implementation of these initiatives has been disrupted by the delayed implementation of MRTU, the CAISO remains under a FERC directive to implement the procurement of these services. These initiatives should be labeled as “F” – FERC Mandated – and the stakeholder processes to consider these initiatives, dormant since June 2006, should be re-engaged.

Some initiatives that the CAISO has committed to – for example, considering how to apply the availability requirements of the CAISO’s “standard” capacity product to intermittent resources and demand response – are categorized as “D” – Discretionary. It may be the case that the CAISO has committed to or been directed to pursue every one of the initiatives listed in the catalog, but characterizing initiatives that the CAISO has committed to as “discretionary” does not seem to reflect the CAISO’s apparent commitment to those initiatives, and does not give the CAISO’s market participants any comfort that the CAISO will follow through on its commitments in any reasonable time frame. What might be more useful than categorizing these initiatives as “Discretionary” or “In-Progress/Planned” would be for the CAISO to estimate a proposed schedule for the stakeholder process for and implementation of each initiative.

While the CAISO’s Interim Capacity Procurement Mechanism (“ICPM”) is set to expire on December 31, 2010 – a date earlier than the CAISO’s current proposed implementation date for Initiative 2.1.1 (Convergence Bidding) – the catalog does not appear to include any initiative to deal with ICPM’s successor, whatever that may be. While it is possible that the development of a centralized capacity market may obviate the need for a successor product to ICPM, the CAISO, given FERC’s expectation that the CAISO timely file a proposal for a backstop capacity product,¹ should plan and allocate resources for either an ICPM successor or a centralized capacity market in this initiatives catalog.

Dynegy thanks the CAISO for the opportunity to submit these comments.

¹ 125 FERC ¶ 61,053 at P 117.