

## Stakeholder Comments Template

### Subject: Market Initiatives Roadmap – High Level Ranking Process

Submitted by	Company	Date Submitted
Tony Zimmer 916-781-4229 <a href="mailto:tony.zimmer@ncpa.com">tony.zimmer@ncpa.com</a>	Northern California Power Agency (NCPA)	July 30, 2009

The ISO is requesting written comments on the *Preliminary Results of the High Level Prioritization of Market Enhancements* published on the ISO website and discussed at the July 23<sup>rd</sup>, 2009 stakeholder meeting. This template is offered as a guide for entities to submit comments; however participants are encouraged to submit comments in any form. Comments are due by July 30<sup>th</sup>, 2009.

All documents related to the Market Initiatives Roadmap Process are posted on the ISO Website at the following link: <http://caiso.com/1fb1/1fb1856366d60.html>

Upon completion of this template please submit (in MS Word) to [MIRoadmap@caiso.com](mailto:MIRoadmap@caiso.com). Submissions are requested by close of business on Thursday, July 30, 2009.

Please answer the following questions on the results of the high level ranking:

**1. Should rankings be different for the initiatives that the ISO ranked “High” in the preliminary ranking process? If yes:**

- **Enhancements to Standard RA Capacity Product**

Comments: Without the benefit of an implementation schedule, NCPA is concerned that CAISO and some market participants have assumed that the future inclusion of generation types that were deferred from the availability metric will enhance the Standard RA Capacity Product and will produce net benefits to grid reliability and market efficiency. Even though the Standard RA Capacity Product has been substantially approved by FERC the program will not become effective until compliance year 2010. As a result, neither the CAISO nor any market participant can demonstrate that the current design and scope of the Standard RA Capacity Product are less effective than such an alternative, or that they fail to accomplish the goals of the policy. The existing Standard RA Capacity Product exempts certain resources

from the application of the availability metric for reasons that are clearly justified, due to operational and/or contractual limitations, and such exemptions should not be eliminated unless it is shown, using historical data, that they have a negative impact on grid reliability. Prior to designing and implementing any form of “enhancement” to the Standard RA Capacity Product NCPA recommends that the CAISO allow the current design to be implemented for some period of time, at least a full year, to allow time to collect data that may be used to determine what enhancements, if any, are required. Therefore, NCPA believes the market design initiatives catalogue ranking for this item should be set at Medium for 2009.

- **Bid Cost Recovery for Units Running over Multiple Operating Days**

Comments: Although NCPA generally supports market initiatives that may reduce uplift charges that are allocated to the market, CAISO’s assigned preliminary ranking of Market Participant Implementation Impact in this initiative is understated. While CAISO believes that the change will have Minimal Impact on market participants, NCPA believes that the impact should be classed as Moderate or perhaps even Significant. Currently most settlement systems are designed to validate and allocate settlements contained within a single day. Implementation of this market initiative may result in settlements that may span multiple days, which will require significant redesign and reconfiguration of settlement systems. This impact must be factored into any adopted implementation schedule. As a result, NCPA recommends that the Market Participant Implementation Impact assessment be classed as Moderate Impact (3), at minimum.

- **Load Aggregation Point Granularity**

Comments: The High ranking CAISO has accorded to this initiative is overstated. The CAISO has provided no justification for why the status of this initiative has been increased from its 2008 ranking of Low. NCPA recognizes that this initiative has been categorized as a FERC mandated initiative, but FERC’s order also specifically provided for a three year period after MRTU start-up to evaluate how such a change will impact all market participants in the CAISO balancing authority area prior to implementation of a change in LAP granularity. The order clearly contemplated that the CAISO’s eventual filing on this issue would be informed by data collected on CAISO operations and pricing under MRTU. With data from only four months of MRTU operations available to evaluate the impact of Locational Marginal Pricing on all market participants located at different points in the system, NCPA cannot agree that the CAISO has properly recharacterized this initiative as High. Additional historical information must be collected in order to determine how market participants would be impacted.

Absent any evidence that resources required for reliability have not been available for dispatch in Real-Time due to Load Aggregation Point Granularity<sup>1</sup>, NCPA believes a classification of Minimal Impact on Grid Reliability is appropriate. This level of

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<sup>1</sup> CAISO has not identified any such evidence.

impact is also consistent with the 2008 assessment. Absent evidence of persistent use of uneconomic adjustments that would have been avoided as a result of increased granularity<sup>2</sup>, and evaluation of the increase in economic efficiency that would result, a classification of Moderate Impact is appropriate. This level of impact is also consistent with the 2008 assessment. NCPA is also unaware of any increased market support for this initiative, and in fact there were a significant number of market participants who expressed substantial concerns about increased LAP granularity during the MRTU FERC approval process. NCPA believes that the classification of the initiative as Desired by Market Participants would be more accurately denoted as Desired by a Small Subset of Market Participants.

Moreover, the classification of the impact of the contemplated change on market participant implementation should be reassessed at a Moderate to Significant Impact level, rather than the proposed Minimal Impact level. The initiative will have a moderate to significant impact on market participant's scheduling and settlement systems, forecasting methodologies, ETC configuration and bidding structures. This change will also require a full market simulation to ensure that all Bid-to-Bill functionality is tested.

In light of the comments noted above, and especially the need to collect additional MRTU data, NCPA believes that the overall priority of this market initiative would be more appropriately categorized as Low to Moderate, rather than High as proposed by the CAISO.

- **Potential Modifications to Market Rules for DA Intertie Schedules**

Comments: NCPA may not fully understand the implications or objectives of this market initiative, but to the extent CAISO is proposing to require e-tags for intertie schedules to be submitted prior to the close of the Day-Ahead Market, the CAISO's assessment of Market Participation Implementation Impact is understated. Requiring market participants to submit e-tags by a deadline that is not consistent with the NERC e-tagging timeline, such as prior to the Day-Ahead market schedule submission deadlines, would have a significant impact on market participants and would likely result in coordination and scheduling difficulties between counterparties located in multiple Balancing Authority Areas. NCPA recommends that the assessment of Market Participant Implementation Impact for this initiative be reset to reflect a Moderate or Significant Impact.

**2. Should rankings be different for the initiatives that the ISO ranked "Medium" or "Low" in the preliminary ranking process? If yes:**

No Comments at this time.

**3. Are there initiatives that were missing from the Market Design Catalogue (or the presentation)?**

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<sup>2</sup> No such evidence is cited by CAISO.

- **Initial Condition Management (submitted by PG&E)**

Comments: Based on NCPA's limited understanding of this initiative proposed by PG&E, NCPA supports having this item incorporated into the catalogue.

- **Develop the Ability for Market Participants to Communicate Within a Submitted Bid its Desire to Provide Incremental or Decremental Energy in the Real-Time Market (Directional Bidding)**

Comments: NCPA requests CAISO add a new initiative to the Market Design Initiative Catalogue to enhance and expand the structure of Bids submitted by market participants within the Real-Time market to allow market participants to clearly communicate an offer to supply incremental Energy or decremental Energy to the CAISO within its Bid using specific attributes contained within the Bid. Under the current market design a market participant may attempt to offer incremental Energy or decremental Energy to the CAISO in Real-Time by providing a price signal in the form of an Energy Bid Curve, but such offer cannot guarantee that the resulting award from the Real-Time market will be consistent with the direction the market participant desires. As a result, in some instances when a market participant would like to provide incremental Energy to the CAISO in the Real-Time market, volatility in Real-Time prices can result in a market award that may be a dispatch or request to provide decremental energy. This inability for a market participant to clearly communicate to the CAISO its desire to provide either incremental Energy or decremental Energy inhibits participation in the Real-Time market. This is particularly challenging for hydroelectric resources which have specific operational constraints to manage storage requirements. Without the ability to communicate to the CAISO the direction in which the unit can be safely dispatched, the generation facility and public safety can be at risk. NCPA requests that enhancements be made to the Real-Time market Bid structure to provide the ability for market participants to clearly communicate to the CAISO the desire to supply incremental Energy or decremental Energy through the use of a flag or other mechanism. This mechanism will improve Grid Reliability and Market Efficiency by allowing more capacity to actively participate in the Real-Time market.

**4. Do you have any comments on or suggestions to improve the annual roadmap process?**

Comments: It would be very helpful to market participants if the CAISO would include an estimated implementation date for at least the market initiatives ranked as High. This will help market participants better understand how each of these initiatives will be incorporated into the implementation schedule. NCPA is not requesting a detailed implementation plan or schedule, but rather is requested that the CAISO indicate at least which year and quarter it would expect each high level initiative may be implemented in the market.

NCPA also recommends that the CAISO provide a more detailed description of the initiatives ranked as high to help market participants fully understand what is being proposed. Due to the limited and somewhat incomplete explanations of many of the initiatives ranked as High it is difficult to provide meaningful comments without understanding the full purpose of the initiative. NCPA also suggests that CAISO provide an explanation or justification for why the ranking of initiatives that are adjusted from one year to the next is changed. Without this explanation market participants can only speculate as to why CAISO feels that any particular initiative has become more or less important from one year to the next.