

Preliminary Results of High Level Prioritization of Market Enhancements July, 2009

July 13, 2009

Prepared by

Market and Infrastructure Development

Catalogue of Market Design Initiatives

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Catalogue of Market Initiatives July, 2009

1. Introduction

Each year the ISO and stakeholders set aside time to review all the market design issues that have been compiled in the Market Design Initiatives Catalogue ensure that it is complete. A subset of these market design initiatives are designated as "discretionary" meaning that they are not required on a specific timeline. These initiatives are ranked to assess their relative priority based on two sets of ranking criteria. The first ranking, commonly referred to as the "high level ranking" is performed using general criteria to determine if an initiative falls into a high, medium or low priority status. The second ranking process, the "detailed ranking" is completed to further prioritize the initiatives with the highest priority using a detailed set of criteria. Stakeholder comment at each stage of the process is critical to assist in refining these results. This purpose of this paper is to provide the results of the high level ranking performed by staff in 2009. Stakeholders will utilize this document to comment on the results of the high level ranking process.

2. High Level Ranking Process

The CAISO conducted its high level assessment of proposed market initiatives published in the 2009 Market Design Initiatives Catalogue¹ by applying a simplified ranking process of three benefit and two feasibility criteria based on stakeholder input. In this iteration of the ranking process, each initiative will be graded "High", "Medium" or "Low" based on the results of their criteria ranking. The high level benefit criteria are "Grid Reliability", "Improving Market Efficiency", and "Desired by Stakeholders" as shown in Figure A below. The high level feasibility criteria utilize two measures: "Market Participant Implementation Impact" and "CAISO Implementation Impact".

CAISO/M&ID/CRH 3

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¹ All documents related to the market design initiatives process can be found at http://caiso.com/1fb1/1fb1856366d60.html.

Figure A - CAISO HIGH LEVEL PRIORITIZATION CRITERIA							
#		Criteria	HIGH	MEDIUM	LOW	NONE	
			10	7	3	0	
1		Grid Reliability	Significant Improvement	Moderate Improvement	Minimal Improvement	No Improvement	
2	Benefit	Improving Overall Market Efficiency	Significant improvement	Moderate improvement	Minimal improvement	No impact	
3		Desired by Stakeholders	Universally desired by stakeholders	Desired by majority of stakeholders	Desired by a small subset of stakeholders	No apparent desire	
4	Feasibility	Market Participant Implementation Impact (\$ and resources)	No Impact	Minimal Impact	Moderate Impact	Significant impact	
5	Feas	ISO Implementation Impact (\$ and resources)	No Impact	Minimal Impact	Moderate Impact	Significant impact	

3. 2009 High Level Ranking Results

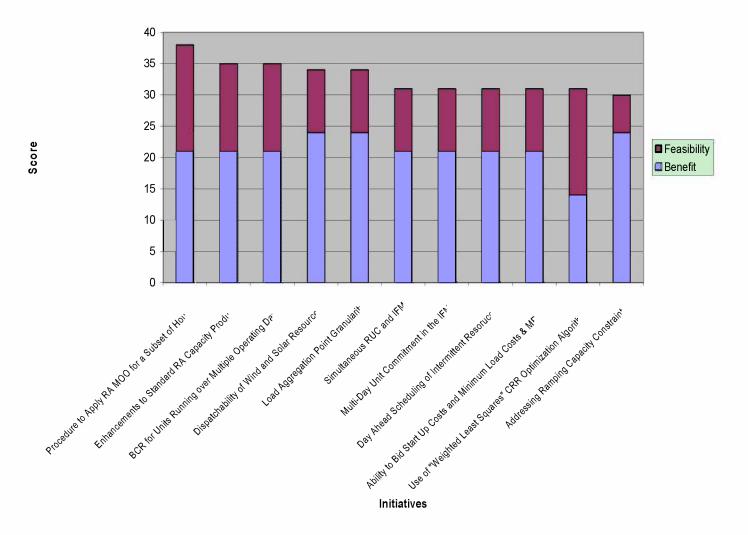
The results of the high level ranking are displayed on the next page². ISO staff evaluated each initiative based on the criteria described in the previous section and guided by the key corporate goals established for 2009. Renewable integration has become a significant factor in future market design initiative planning. During the ranking process this overarching criteria was incorporated into ranking decisions as it will have significant impacts on market efficiency and grid reliability.

The pages following the spreadsheet are charts illustrating how the benefit and feasibility criteria were balanced within each initiative.

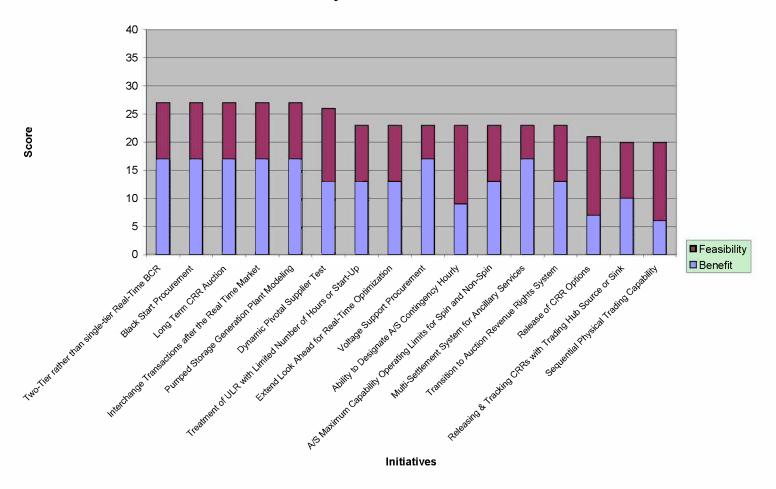
² The items in red font on the chart are FERC mandated enhancements.

High Level Prioritization of Market Enhancements	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(1)	(J)	(K)	(L)
Procedure to Apply RA MOOI for a Subset of Mours Samuthamen Samu			Grid	Improving	Desired By	Total Benefit			Total Feasiblity			2008
Confidence Supply 28 MOO for a fisched of Moors Supply 18 MOO for a fisched of Moors Supply 28 MOO for a fisched of Moors Supply 18 MOO for a fisched of Moors Sup	The state of the s	Section	Reliability		Stakeholders	(C + D + E)			(G+H)	(F + I)	Rank	Rank
Procedure to Joseph M MOD for Oscient of Nover 150								,				
Enhancement to Standard RA Cognacy Product	Procedure to Apply RA MOO for a Subset of Hours	8.3	7		7	21		7	17	38	High	
Bid Coast Recovery for Units Burning over Multiple Operating Doys 2.8 7 7 7 21 7 7 14 35 High Marks 16 Recovery for Units Burning over Multiple Operating Op			7	7	7		7	7				
Rules for incourage Disporthonibity of Wind and Solar Resources 21		2.8	7	7	7	21	7	7	14	35		Medium
Load Aggregation Four Consolidity		4.1	10	7	7	24	7	3	10	34	High	
Multi-Day Unit Commitment in the IRN 24 7 7 7 2 2 7 3 10 31 Highly New Day Almost Scheduling of Intermittent Resouces 25 7 7 7 2 3 3 7 10 31 Highly New Day Almost Scheduling of Intermittent Resouces 25 7 7 7 2 1 3 7 10 31 Highly New Day Almost Scheduling of Intermittent Resouces 25 7 7 7 2 1 7 3 10 33 Highly New Day		2.11	7	10	7	24	3	7	10	34	High	Low
About December D	Simultaneous RUC and IFM	5.2	7	7	7	21	7	3	10	31	High	Medium
Ability to Bid Start Up CoSt and Minimum Load Costs & MPM	Multi-Day Unit Commitment in the IFM	2.4	7	7	7	21	7	3	10	31	High	Medium
Bus of Weighted Least Squares' CRR Ophmization Algorithm	Day Ahead Scheduling of Intermittent Resoruces	2.5	7	7	7	21	3	7	10	31	High	Low
Addesing from the content of the con	Ability to Bid Start Up Costs and Minimum Load Costs & MPM	2.13	7	7	7	21	7	3	10	31	High	Medium
Pederliad Modifications to Market Rules for Day-Ahead Interfie Schedules 215 7 3 3 3 10 7 17 30 10 27 Medium Medical For Day-Ahead Interfies Schedules 215 7 7 7 7 7 7 3 10 27 Medium Medical For Day-Ahead Interfies Schedules 215 7 7 7 7 7 7 7 7 7	Use of "Weighted Least Squares" CRR Optimization Algorithm	7.7	0	7	7	14	10	7	17	31	High	Medium
	Addressing Ramping Capacity Constraints	6.8	10	7	7	24	3	3	6	30	High	
Block Start Procurement	Potential Modifications to Market Rules for Day-Ahead Intertie Schedules	2.15	7	3	3	13	10	7	17	30	High	
Block Start Procurement	Two-Tier rather than single-tier Real-Time Bid Cost Recovery	2.2	3	7	7		7	3			_	Medium
- Resible Ferm Lengths of Long Term CRRS - Multi-period Optimization Algorithm for Long Term CRRS - Treatment of Use-Limited Resources with Limited Number of Hours or Start-Up - Limited Resources with Limited Number of Hours or Start-Up - Limited Resources with Limited Number of Hours or Start-Up - Limited Resources with Limited Number of Hours or Start-Up - Limited Resources with Limited Number of Hours or Start-Up - Limited Resources with Limited Number of Hours or Start-Up - Limited Resources with Limited Number of Hours or Start-Up - Limited Resources with Limited Number of Hours or Start-Up - Limited Resources with Limited Number of Hours or Start-Up - Limited Resources with Limited Number of Hours or Start-Up - Limited Resources with Limited Number of Hours or Start-Up - Limited Resources with Limited Number of Hours or Start-Up - Limited Resources with Limited Number of Hours or Start-Up - Limited Resources with Limited Number of Hours or Start-Up - Limited Resources with Limited Number of Hours or Start-Up - Limited Resources with Limited Number of Hours or Start-Up - Limited Resources with Limited Number of Hours or Start-Up - Limited Resources with Limited Number of Hours or Start-Up - Limited Resources With Limited Number of Hours or Start-Up - Limited Resources With Limited Number of Hours or Start-Up - Limited Resources With Limited Resources with Limited Number of Hours or Start-Up - Limited Resources With Limited Number of Hours or Start-Up - Limited Resources With Limited Number of Hours or Start-Up - Limited Resources With Limited Number of Hours or Start-Up - Limited Resources With Limited Number of Hours or Start-Up - Limited Resources With Limited Number of Hours or Start-Up - Limited Resources With Limited Number of Hours or Start-Up - Limited Resources With Limited Resources With Limited Resources With Limited Resources W		6.10	7	7	3	17	3	7	10	27	Medium	Medium
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· · · · · · · · · · · · · · · · · · ·			0	3	3	6	3	3	6	12	Low	Low
Multiple SCs at a Single Meter 4.4 0 3 0 3 3 3 6 9 Low La		4.4	0	3	0	3	3	3	6	9	Low	Low

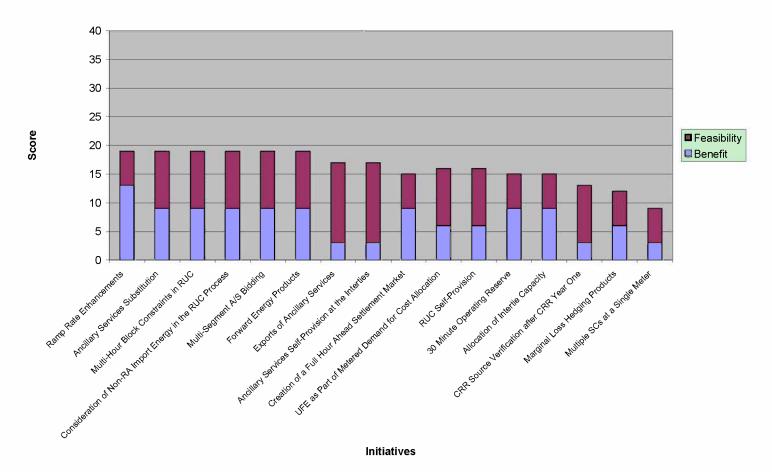
Preliminary Results - Ranked High



Preliminary Results - Ranked Medium



Preliminary Results - Ranked Low



4. FERC Mandated Enhancements

There are initiatives in the Market Design Initiatives Catalogue that were mandated by FERC to be implemented after the start up of MRTU, typically within a three year timeframe. These items (listed in order of their initial ranking) are:

Rank	FERC Mandated Enhancement
1	Bid Cost Recovery for Units Running over Multiple Operating Days
2	Load Aggregation Point Granularity
3	Two-Tier Rather than Single Tier Real-Time Bid Cost Recovery
4	Long Term CRR Auction
5	Ancillary Services Substitution
6	Multi-Hour Block Constraints in RUC
7	Exports of Ancillary Services

		П
n/a	Successor to ICPM (not ranked due to established timing parameters)	

5. Initiatives that were Not Considered in the High Level Ranking

5.1 Market Enhancements that the ISO is committed to implement

The Market Design Initiatives Catalogue is intended to be a compilation of all of the market design initiatives. At any given time there will be market design initiatives listed in the catalogue that are in process or that the ISO has committed to implement. They are designated with an "I". Due to the fact that they are already underway, there is no need for including them in the ranking process. The following table lists the market design initiatives listed in the catalogue are already on track for processing.

Catalogued Initiatives that are In Progress
Convergence Bidding
Scarcity Pricing
Demand Response
Study of Marginal Loss Surplus Allocation to Regional Measured Demand
Economic Methodology to Determine if a Transmission Outage needs to be Scheduled 30 days prior to the Outage Month
Sale of CRRs in the CRR Auctions

5.2 Non-Discretionary Market Enhancements

The table below shows the market design initiatives that are listed in the catalogue as non-discretionary. These items will not be ranked because there are issues related to the timing of the completion that do not lend themselves to ranking.

Catalogued Initiatives that are Non-Discretionary
Revise Load Migration Process (regulatory requirement)
Dynamic Scheduling (Import and Export) for Load and Generation

6. Detailed Ranking Process

After determining the results of the high level prioritization, the highest ranking initiatives are ranked again using more detailed criteria based on stakeholder input. Each of these criteria has a weight associated with it, based on its relative importance. The weighting is a scale from 1 to 10 with 10 being the highest weight. For example, "Grid Reliability" is assigned a weight of 10 because it is a core function of the CAISO while "Process Improvement", an important but not

critical criterion, is ranked substantially lower at 5. Those proposed market initiatives that are ranked highest will be considered in the Corporate Strategic Planning Process.

The detailed ranking of initiatives is scheduled to begin the first week in August.

7. Next Steps

A stakeholder meeting will be held on Thursday July 23, 2009 to discuss these preliminary ranking results. The ISO is requesting that any stakeholder interested in making a presentation at that meeting regarding their ranking suggestions contact Cindy Hinman at chinman no later than Monday July 20.

We are also looking for stakeholder's written comments regarding these ranking results. These comments are due no later than Thursday, July 30. The rankings will be re-analyzed and potentially revised based on stakeholder input.

Once the list of the highest priority initiatives has been finalized, a straw proposal will be prepared. This will be followed by a stakeholder conference call and submission of stakeholder written comments. The proposed schedule for these activities is:

August 10 – Publish straw proposal for high priority enhancements

August 17 – Stakeholder conference call to discuss straw proposal

August 24 – Stakeholder comments due.

The draft final proposal, conference call and comments are scheduled for dates September.

The final results will be incorporated in the Corporate Strategic Planning Process.