

Market Initiatives Road Map – Scoping Future MRTU Releases



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California ISO
Your Link to Power

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Scoping Future MRTU Releases

- 🌐 The CAISO is initiating a stakeholder process to aid in ranking market initiatives in order to determine scope for post MRTU Releases
- 🌐 Two relevant documents are posted to the CAISO Website regarding this effort:
 - Updated 5-Year Market Initiatives Roadmap
 - Contains list of defined market initiatives both mandated and non-mandated that are desired for post MRTU Release 1 implementation
 - Initial Scoping of Post MRTU Market Design Enhancements
 - outlines mandated items for post MRTU releases and describes the process for stakeholder engagement and ranking initiatives
- 🌐 Documents are posted to the following link:

<http://www.caiso.com/1822/1822931f287d0.html>

Defined Ranking Methodology

- 🌐 Due to the large number of proposed future market initiatives in 2006 the CAISO developed with stakeholders a formal ranking methodology to prioritize the initiatives
- 🌐 The ranking criteria that was developed provides increased transparency to both the CAISO Board of Governors as well as market participants by applying rationale to the decision making process
- 🌐 The defined ranking process enables the CAISO in conjunction with its stakeholders to implement those projects that are determined to be most beneficial to CAISO's customers and the market as a whole
- 🌐 Ranking is applied to non mandated enhancements only

Review of Defined Market Initiatives Ranking Methodology

The ranking process that was developed involves two steps:

1. High level prioritization

- Utilizes subset of ranking criteria
- Categorize proposed initiatives as High, Medium, and Low priority
- High priority initiatives are then evaluated in step 2

2. Detailed ranking

- High priority initiatives are evaluated more thoroughly by applying ranking criteria methodology

High Level Prioritization Matrix

CAISO High Level Prioritization Criteria						
#	Criteria	Strategic Objective	HIGH	MEDIUM	LOW	NONE
			10	7	3	0
1	Benefit	Reliability	Significant Improvement	Moderate Improvement	Minimal Improvement	No Improvement
2		Market Efficiency	Significant Improvement	Moderate Improvement	Minimal Improvement	No Improvement
3		Customer Care/Regulatory	Universally desired by stakeholders	Desired by a 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		ISO Implementation (\$ and resources)	No Impact	Minimal Impact	Moderate Impact	Significant Impact

Ranking Criteria Matrix

ATTACHMENT B: REVISED CAISO PRIORITIZATION CRITERIA

#		Criteria	Strategic Objective	Weight	HIGH	MEDIUM	LOW	NONE
					10	7	3	0
1	Benefit	Grid Reliability	Reliability	10	Significant Improvement	Moderate Improvement	Minimal Improvement	No Improvement
2		Improving CAISO Market Efficiency	Market Efficiency	10	Significant improvement	Moderate improvement	Minimal improvement	No impact
3		Promote Efficient Infrastructure Development	Infrastructure Development	10	Significant improvement	Moderate improvement	Minimal improvement	No improvement
5		Desired by Stakeholders	Customer Care/Regulatory	10	Universally desired by stakeholders	Desired by majority of stakeholders	Desired by a small subset of stakeholders	No apparent desire
6		Process Improvement (ISO & MP)	Customer Care, Financial & Enterprise Risk Management	5	Significant improvement	Moderate improvement	Minimal improvement	No impact
7	Feasibility	Market Participant Implementation Cost		7	No Cost	Minimal Cost	Moderate Cost	Significant Cost
8		Market Participant Implementation impact on systems and resources		7	No Impact	Minimal Impact	Moderate Impact	Significant Impact
9		Impact on Market Participant ongoing operating costs		7	No ongoing operating costs	Minimal ongoing operating costs	Moderate ongoing operating costs	Major ongoing operating costs
10		ISO Implementation Cost		10	< \$1M	>\$1M, <\$5M	>\$5M, <\$10M	>\$10M
11		ISO Implementation impact on systems and resources		7	No Impact	Minimal Impact	Moderate Impact	Significant Impact
12		Impact on ISO Ongoing Operating Costs		7	No ongoing operating costs	Minimal ongoing operating costs	Moderate ongoing operating costs	Major ongoing operating costs

MRTU Release 1A

- Includes enhancements ordered by FERC within 12 months of start-up
 - Convergence bidding
 - Scarcity pricing of reserves
- Plus additional non discretionary design elements identified by LECG considered that could not be implemented in Release 1
- **Initial** proposal for market fixes to be included in Release 1A include:
 - Relax DEC Bidding Activity Rule on Final Day-Ahead Schedules – 2.2.12
 - Ramping Limits for the Real-Time Pricing Run with Constrained Output Generation (COG) – 2.2.13
 - *Both of these features were recommended by LECG in the February 2005 report “Comments on the California ISO MRTU LMP Market Design” as important market design improvements that should be implemented as soon as possible*

MRTU Release 2

- 🌐 Includes mandated Items ordered by FERC within 3 years of MRTU start-up
- 🌐 Plus other enhancements based on formal ranking process
- 🌐 Mandated Items include but are not limited to the following:
 - Day-Ahead Market Power Mitigation based on bid in demand rather than forecasted demand – 2.2.3
 - Increase the number of LAP Zones – 2.2.24
 - Address Multi Block constraint in RUC – 2.2.4.1
 - Support Exports of Ancillary Services – 2.2.7
 - Implement SLIC to SIBR Interface – 2.2
 - Move to Two Tier Real-Time Bid Cost Recovery Allocation- 2.2.28
 - Accurately model constraints of combined cycle units - 2.2.20

Next Steps

- 🌐 The CAISO is requesting comments from stakeholders tied back to the high priority ranking criteria as to what market initiatives they believe should be high priority for implementation
- 🌐 **Please use Attachment A template when submitting comments**
- 🌐 After comments are received, the CAISO will use stakeholder input to perform a high level ranking
- 🌐 The CAISO if necessary, will then apply the more detailed ranking criteria to high ranked items to further prioritize the list of initiatives
- 🌐 information will be presented to stakeholders in a Straw Proposal and stakeholders will have the opportunity provide comments

Proposed Schedule for Stakeholder Engagement

- 🌐 August 6 - Initial Scoping Document and Updated Roadmap posted
- 🌐 August 10 - Discussion at MSC Meeting
- 🌐 August 24 - Stakeholder comments due
- 🌐 September 11 - CAISO posts Straw Proposal
- 🌐 September 14 - Stakeholder conference call
- 🌐 September 26 - Stakeholder comments due
- 🌐 October 5 - CAISO posts final proposal
- 🌐 October 17-18 - CAISO presents proposal in October Board Meeting

Proposal to Board of Governors will include:

- Final recommendation for Release 1A elements
- List of proposed Release 2 elements
 - Timeline will be determined following implementation analysis
- Once implementation analysis is completed the CAISO will rank items again, develop implementation timeline and share information with stakeholders.