

Market Initiatives Road Map



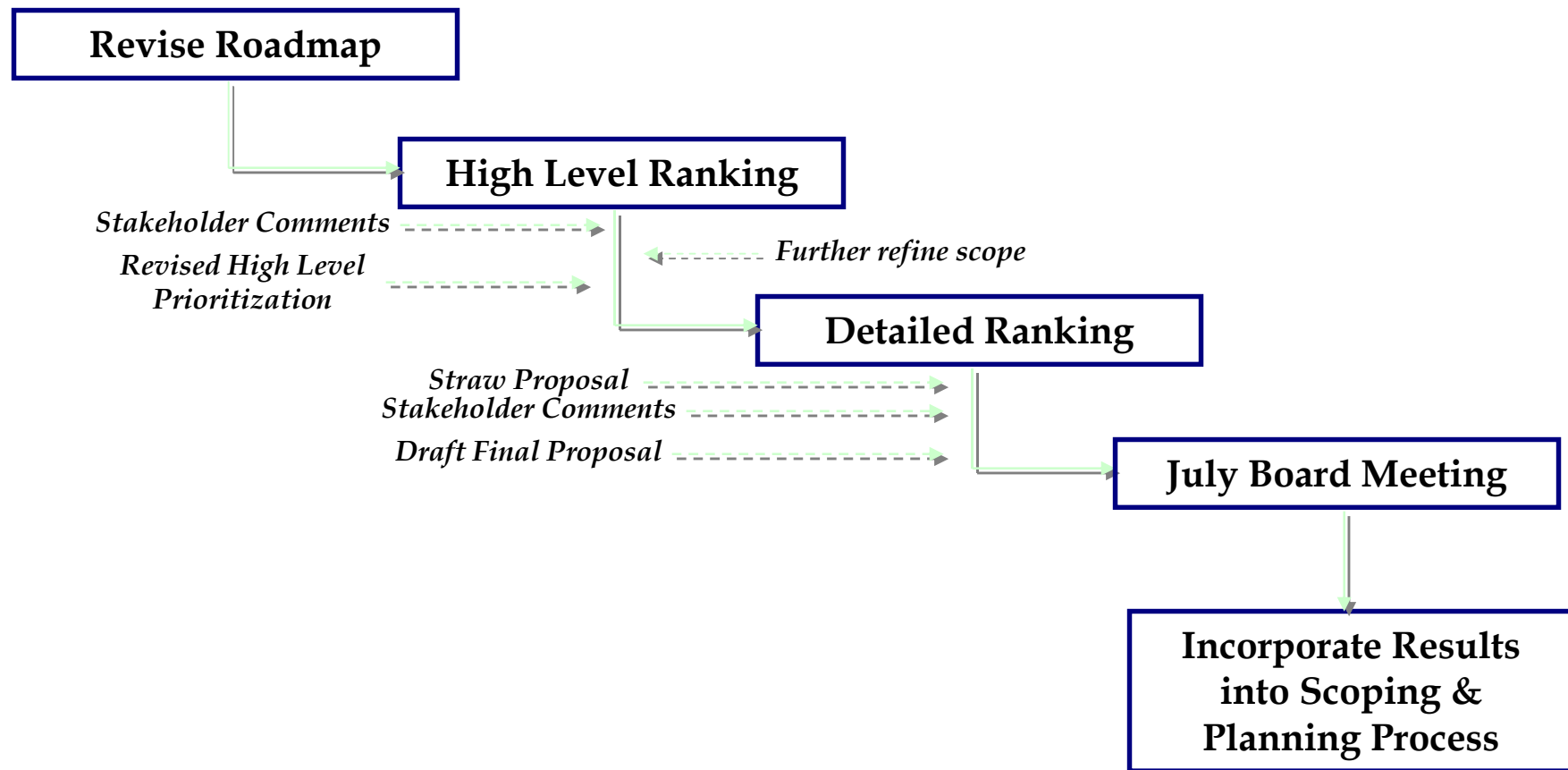
Department of Market & Product Development



California ISO
Your Link to Power

**5-Year Market Initiatives Roadmap
Stakeholder Meeting
April 30, 2008**

Roadmap Stakeholder Process

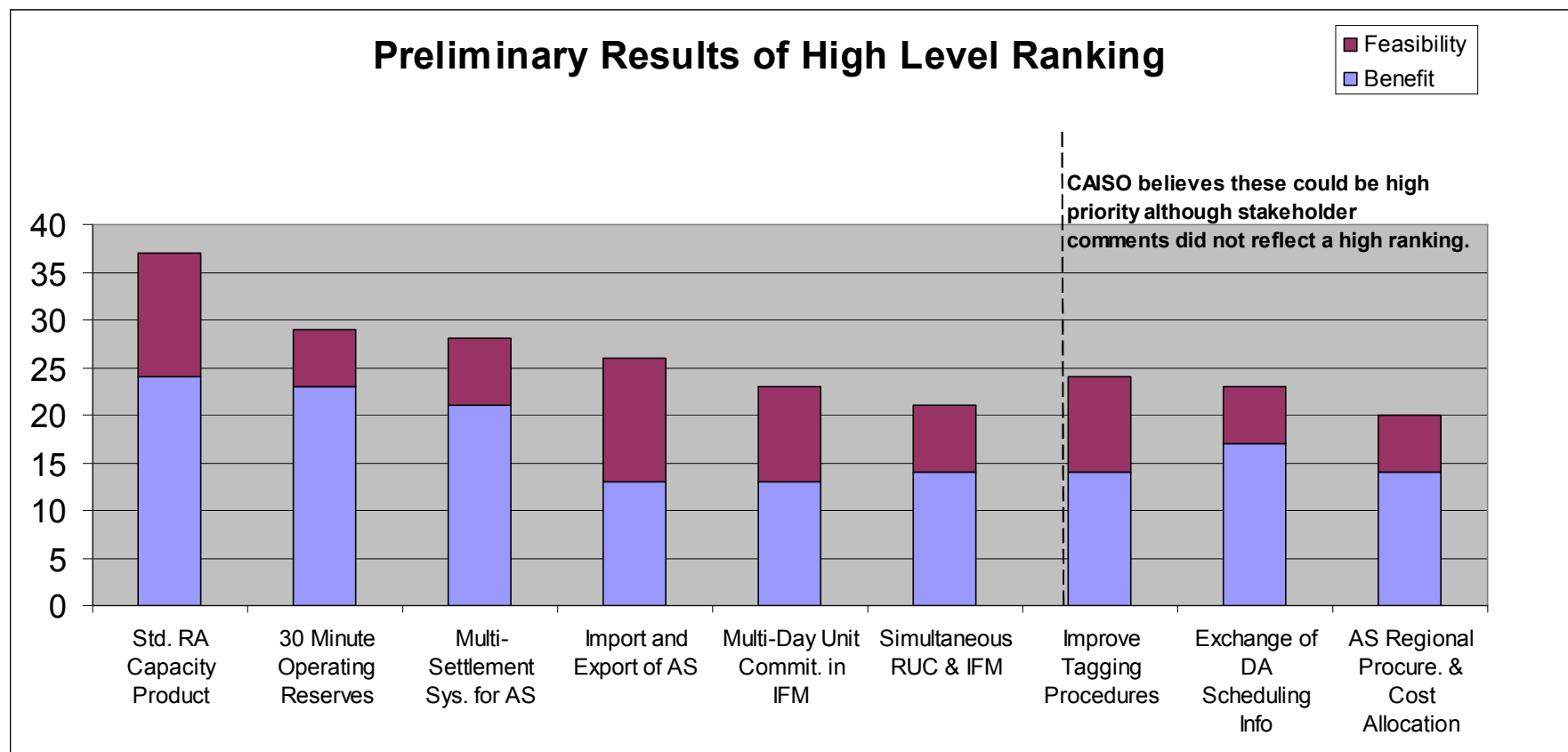


Stakeholder Comments

- CAISO incorporated stakeholder comments when determining the “desired by stakeholders” benefit criteria
- Stakeholder comments used to assess priority of FERC Mandated enhancements
- A number of enhancements were supported by a single market participant or only two or three market participants
- The Roadmap does not represent priority so comments requesting to move enhancements to earlier releases (i.e. MRTU Release 1) could not be accommodated.



Results of Preliminary High Level Prioritization



FERC Mandated Enhancements

Rank (1-10)	FERC Mandated Market Enhancement
1	Model Constraints of Combined Cycle Units
2	Sale of CRRs in the CRR Auction
3	Long-Term CRR Auction
4	Bid Cost Recovery for Units with Run Times that Exceed 24 Hours
5	Ancillary Services Substitution
6	Two Tier rather than single tier Real-Time Bid Cost Recovery
7	Multi Hour Block Constraint in RUC
8	Increase number of LAP Zones
9	Support Exports of Ancillary Services
10	Rebate of loss-over collection issues for Renewable Resources



Next Steps

- 🌐 May 7 - CAISO requesting written stakeholder comments regarding results of preliminary high level prioritization of market enhancements to mmiller@caiso.com
- 🌐 May 29 – Publish Straw Proposal which will reflect revised high level prioritization and results of detailed ranking
- 🌐 June 5 – Stakeholder Conference Call
- 🌐 June 12 – Stakeholder comments due
- 🌐 June 19 – Publish Draft Final Proposal
- 🌐 July 16-17 – July Board of Governors Meeting



The Standard RA Capacity Product received the highest level of interest among stakeholders.

	Strategic Objective	Impact	Score	Attribute
Benefit	Grid Reliability	Moderate improvement	7	Consistent performance from RA resources
	Improving market efficiency	Moderate improvement	7	Increased liquidity by providing standard product
	Desired by stakeholders	Universally desired	10	Supported by many stakeholders
Feasibility	Market participant implementation impact	No Impact	10	Reduced transaction costs
	ISO implementation impact	Moderate	3	Performance monitoring, software, undefined scope
Total Points			37	

Multi-Settlement System for Ancillary Services

	Strategic Objective	Impact	Score	Attribute
Benefit	Grid Reliability	Moderate Improvement	7	Increase in liquidity of reserves
	Improving market efficiency	Moderate Improvement	7	Reduced risks for suppliers, more liquid market, decreased costs for provision of A/S, market flexibility
	Desired by stakeholders	Desired by a majority of stakeholders	7	Moderate interest reflected in comments
Feasibility	Market participant implementation impact	Minimal	7	Market participant software impacts
	ISO implementation impact	Significant	0	Complete redesign of existing A/S Markets, significant software impact, settlements impact
Total Points			28	



30 Minute Ancillary Services

	Strategic Objective	Impact	Score	Attribute
Benefit	Grid Reliability	Significant Improvement	10	More reserves available and reduction in Exceptional Dispatches
	Improving market efficiency	Significant Improvement	10	Reduce potential for market power through increased liquidity. More cost effective at addressing 30 minute contingencies
	Desired by stakeholders	Desired by small subset of stakeholders	3	Limited interest reflected in comments
Feasibility	Market participant implementation impact	Moderate	3	Software impacts, contracts, meeting requirements for new product
	ISO implementation impact	Moderate	3	Development of new market product, rules, impact to market systems
Total Points			29	



Multi-Day Unit Commitment in IFM

		Strategic Objective	Impact	Score	Attribute
Benefit		Grid Reliability	Minimal Improvement	3	Operational continuity of commitment from one day to the next
		Improving market efficiency	Moderate Improvement	7	More efficient unit commitment that adequately reflects the impact of start-up costs from resources with long start-up times
		Desired by stakeholders	Desired by small subset of stakeholders	3	Minimal interest reflected in comments
Feasibility		Market participant implementation impact	None	10	Little to no impact
		ISO implementation impact	Significant	0	Software performance, source of bids and schedules for future days commitment
Total Points				23	



Simultaneous RUC and IFM

	Strategic Objective	Impact	Score	Attribute
Benefit	Grid Reliability	Moderate Improvement	7	Integrating RUC into the IFM would co-optimize resources to provide RUC capacity along with Energy, AS and congestion management
	Improving market efficiency	Moderate Improvement	7	Simultaneous pricing will clear each resource for its highest value use and pay accordingly.
	Desired by stakeholders	No apparent desire	0	No interest reflected in comments
Feasibility	Market participant implementation impact	Minimal	7	Substantial stakeholder process
	ISO implementation impact	Significant	0	Substantial stakeholder process for development of market rules, plus modification to IFM optimization engine
Total Points			21	



Transition to ARR (Auction Revenue Rights System)

	Strategic Objective	Impact	Score	Attribute
Benefit	Grid Reliability	No Improvement	0	No impact on grid reliability
	Improving market efficiency	Significant Improvement	10	Streamline several complex CRR processes, and deepen CRR auction participation leading to more robust auction prices for valuing all CRRs.
	Desired by stakeholders	Desired by small subset of stakeholders	3	Limited interest reflected in comments
Feasibility	Market participant implementation impact	Moderate	3	LSEs now participating in allocation would have to revise their nomination processes to submit economic bids for all CRRs
	ISO implementation impact	Moderate	3	Would require stakeholder process to develop auction processes and determine allocation of ARRs.
Total Points			19	



Import & Exports of Ancillary Services

	Strategic Objective	Impact	Score	Attribute
Benefit	Grid Reliability	Minimal Improvement	3	Expanded import & export functionality should provide modest increase in AS supply
	Improving market efficiency	Moderate improvement	7	Greater optimization of supply capacity between AS & energy, and for broader regional AS market.
	Desired by stakeholders	Desired by small subset	3	Limited interest reflected in comments
Feasibility	Market participant implementation impact	No Impact	10	Minimal to no impact
	ISO implementation impact	Moderate Impact	3	Require new functionality for optimizing use of inter-tie transmission capacity between AS & energy.
Total Points			26	



Improve Tagging Procedures & Functionality

	Strategic Objective	Impact	Score	Attribute
Benefit	Grid Reliability	Moderate Improvement	7	content of tags will allow more accurate modeling of power flows in DA and HA time frames
	Improving market efficiency	Moderate improvement	7	Integration of day-ahead scheduling and tagging procedures will simplify and streamline the tagging process.
Feasibility	Desired by stakeholders	No apparent desire	0	No interest reflected in comments
	Market participant implementation impact	Moderate Impact	3	Need to configure systems to include tagging info in bid submissions.
	ISO implementation impact	Minimal Impact	7	Enhance IFM & HASP output to include confirmed tags with final import & export schedules.
Total Points			24	



Exchange of Day-Ahead Scheduling Information

	Strategic Objective	Impact	Score	Attribute
Benefit	Grid Reliability	Maximum Improvement	10	Data exchange will allow parallel flows to be predicted and reduce amount of RT unscheduled flow mitigation.
	Improving market efficiency	Moderate improvement	7	Knowledge of expected parallel flows will allow BAAs to take actions to mitigate overloaded paths for fair compensation.
	Desired by stakeholders	No apparent desire	0	No interest reflected in comments
Feasibility	Market participant implementation impact	Moderate impact	3	Need for ISO & participating BAAs to establish systems to accept and utilize scheduling information
	ISO implementation impact	Moderate impact	3	Need for ISO & participating BAAs to establish systems to accept and utilize scheduling information
	Total Points		23	



Sub-Regional Scarcity Pricing & A/S Cost Allocation

- 🌐 This initiative is being addressed in the Scarcity Pricing initiative and has been excluded from the ranking process
 - The CAISO proposes to defer Scarcity Pricing in A/S Sub-Regions and locational A/S cost allocation to allow time to learn for MRTU operation
 - The CAISO will review and decide on the two issues with stakeholders one year after the implementation of the system-wide Scarcity Pricing

