

Scoping Future Market Enhancements – Market Release 1A



Margaret Miller
Senior Market and Product Economist



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Scoping Future Market Releases

Scoping Future Market Enhancements

- 🌐 Two documents are posted to the CAISO Website that pertain to this effort:
 - Draft Straw Proposal for Scoping Future Market Releases
 - Lists the proposed items for inclusion in Market Release 1A, CRR enhancements and process for scoping subsequent market releases
 - Represents CAISO's best assessment at this time of what should be included in Market Release 1A (pending implementation analysis)
 - Stakeholder comments requested by 9/24 to mmiller@caiso.com
 - Updated 5-Year Market Initiatives Roadmap
 - Updated with new items submitted through 8/24 stakeholder comments

🌐 Documents are posted to the following link:
<http://www.caiso.com/1822/1822931f287d0.html>

Market Release 1A

Proposed Market Release 1A scope includes:

- 🌐 Enhancements ordered by FERC within 12 months of start-up
 - Convergence bidding
 - Scarcity Pricing
 - Competitive Path Assessment Seasonally
- 🌐 Dispatchable Demand Response
- 🌐 Key market design concerns previously identified by LECG (in Feb 2005 report) that could not be implemented in Release 1
 - Relax DEC Bidding Activity Rule on Final Day-Ahead Schedules
 - Resolve effect on Real-Time prices due to Constrained Output Generation and run time constraints
- 🌐 Unforeseen issues that may be identified once MRTU begins operation

Why Dispatchable Demand Response?

Link to Scarcity Pricing

- Important for success of Scarcity Pricing which is mandated Market Release 1A enhancement

Stakeholder Interest

- Identified as a high priority enhancement by multiple stakeholders in comments submitted on 8/24

FERC Direction

- 9/21, 4/20 and 6/25 FERC MRTU Orders direct the CAISO to increase opportunities for Demand Resources to participate in CAISO Markets.

Why the two LECG Items?

- Both issues identified by LECG in Feb 2005 Report “Comments on the California ISO MRTU LMP Market Design” as major design issues that should be resolved as soon as possible
- CAISO planned to resolve in Release 1 but unable to
- Currently established DEC Bidding Rules may discourage market participants from submitting DEC Bids
- Inappropriate high prices may result in Real-Time due Constrained Output Generation and run time constraints and the CAISO’s approach for how the upper dispatch limit of non-COG units is determined in the pricing dispatch

What about the other LECG Issues?

- 🌐 Use of Bid In Demand rather than Forecast Demand for mitigation
 - Mandated by FERC for implementation no later than three years after MRTU start-up - to be addressed in the future
 - Potentially tied to Convergence Bidding nodal implementation
- 🌐 Multi Settlement System for A/S
 - Since involves a redesign of the CAISO's Ancillary Services Markets, the CAISO intends to address this issue in a future market release through a stakeholder process.
 - The CAISO has committed to provide more flexible options for Ancillary services substitution for reasons other than an outage no later than three years after MRTU start date
- 🌐 Sub-LAP adjustments in step 3 of LAP clearing validation
 - Addressed in Release 1

Next Steps

- 🌐 Stakeholder comments due by COB on 9/24 on DRAFT Straw Proposal to: mmiller@caiso.com
- 🌐 Straw Proposal posted 9/28
- 🌐 CAISO will present an informational briefing to the CAISO Board on Straw Proposal for Market Release 1A in October
- 🌐 Once implementation analysis is complete a final proposal for Market Release 1A scope will be shared with stakeholders
- 🌐 Prioritization and formal ranking of non-mandated market enhancements to determine scope of future market releases will begin in 2008.