

Regional Procurement of Ancillary Services

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Market Product and Development

September 21, 2006 MRTU Order, Regional A/S

FERC directed the CAISO

- **Procure Ancillary Services on a more granular basis**
 - Include criteria for defining more granular A/S regions in MRTU Tariff

FERC's argument

- **Price Signal**
- **Reliability**

Docket No ER06-615-000, Paragraph 380 through 382

Five Regional A/S Issues

FERC also directed the CAISO to revise the MRTU Tariff to include the description of:

- 1. How the Full Network Model optimization will apply to reserves as it does to energy; and,**
- 2. If the Full Network Model optimization does not apply to reserves, explain how the CAISO will determine the definition of an Ancillary Services region or sub-region;**
- 3. Explain fully the circumstances under which it will become necessary to define more granular zones for Ancillary Services procurement;**
- 4. Include in its tariff the procedures for the use of RMR and market procurement for Ancillary Services; and,**
- 5. Clearly describe the granularity method that will be followed for allocating Ancillary Services costs.**

Docket No ER06-615-000, Paragraph 380 through 382

Regional A/S Issues #1

- In CAISO's co optimization in IFM:

Ancillary Services Bids from resources internal to the CAISO Control Area do not compete for the use of the transmission network in the market optimization applications.

Ancillary Services imports and Energy imports from System Resources located in such external control areas compete for the use of transmission capacity into the CAISO Control Area.

Regional A/S Issues #2

Current MRTU Design

- 8 scenarios covered: (Path15, Path26)*(cong, no cong)*(N to S, S to N)
- 10 A/S Region are defined in MRTU

Internal

System

N Path15

S Path15

N Path26

S Path26

Internal + External

Exp System

Exp N Path15

Exp S Path15

Exp N Path26

Exp S Path26

Seeking MSC's Input :

#1. What are the difficulties in using the current methodology for more granular A/S procurement?



Regional A/S Issues #3 and # 4

- The most granular level of CAISO A/S procurement has been is zonal.
- The next natural granularity level is established local areas (based on Local Capacity Requirement)
- The CAISO intends to use it in future MRTU A/S procurement.

Seeking MSC's Input :

#2. Criteria to consider for calculating minimum and maximum requirements in established local areas.

#3. Benefit of a new product, say 20min. reserve in a more granular A/S procurement.

Regional A/S Issues # 5

The CAISO views A/S procurement at a more granular level will not necessarily lead to more granular allocation of A/S costs.

Seeking MSC's Input:

#5. Comments on allocating the A/S cost from procurement at a more granular level.