



California ISO
Your Link to Power

California Independent
System Operator Corporation

Revised Ranking Criteria for Proposed Market Design Changes

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Session Agenda

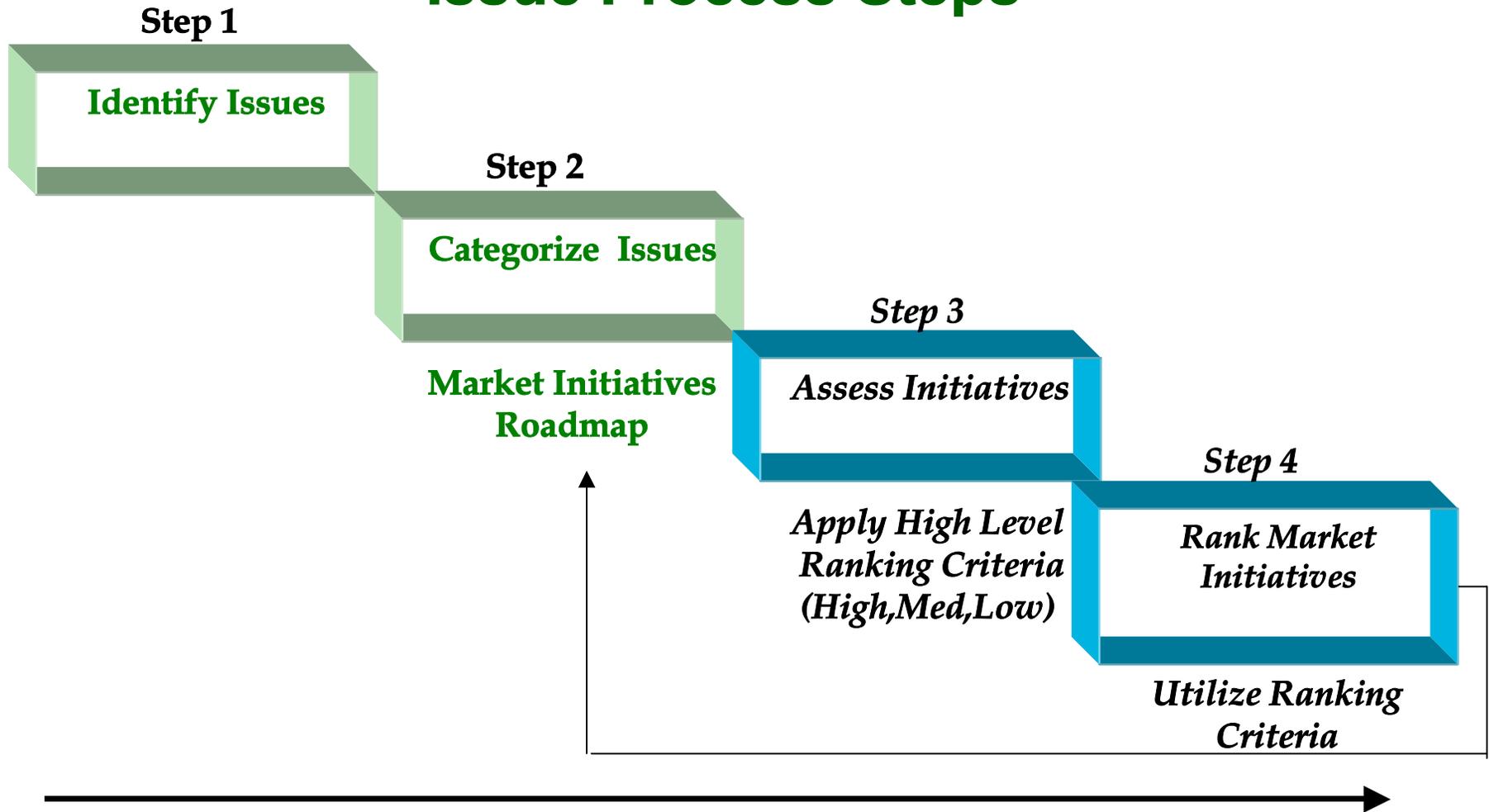
- **11:30 a.m. – 12:30 p.m.**
 - Process
 - Review Revised Ranking Criteria

- **12:30 p.m. – 1:30 p.m.** **Lunch**

- **1:30 p.m. – 2:30 p.m.**
 - Ranking Criteria Weighting
 - High Level Prioritization



Issue Process Steps



How has the original proposal been revised?

- **Stakeholder input incorporated**
 - Simplify
 - Combine overlapping/redundant criteria
 - Eliminate less relevant criteria
 - Balance Market Participant and CAISO Interests
 - Criteria modified to reflect balance between CAISO and Market Participant costs and impacts

- **Revised proposal reduced to 5 benefit and 6 feasibility criteria**



Modifications to Original Benefit Criteria

- **“Mandate” criteria removed**
 - Ranking criteria only to be applied to projects initiated by market participants or the CAISO
- **Unnecessary criteria removed**
 - “Reputation”
 - “Expanding ISO Participation”
- **Overlapping criteria removed**
 - “Corrects Design Flaws” included in “Improving Market Efficiency” (*major design flaws must be addressed and not subject to ranking*)
 - “Addresses Corporate Risk Inventory” covered by other criteria
- **Less relevant criteria removed**
 - “Annual GMC cost reduction”



Modifications to Original Feasibility Criteria

- **Criteria modified to provide more balance between CAISO and Market Participant Impacts**
 - “Market Participant Implementation Impact” expanded into three criteria to match CAISO implementation impact
 - Market Participant Implementation Cost
 - Market Participant Implementation Impact on systems and resources
 - Market Participant ongoing operating costs
- **Less relevant criteria removed**
 - CAISO implementation “Complexity”



Revised List of Ranking Criteria

■ Benefit Criteria

- Grid Reliability
- Improving CAISO Market Efficiency
- Promote Efficient Infrastructure Development
- Desired by Stakeholders
- Process Improvement (CAISO and Market Participants)

■ Feasibility Criteria

- Market Participant Implementation Cost
- Market Participant Implementation impact on systems and resources
- Impact on Market Participant ongoing operating costs
- CAISO Implementation Cost
- CAISO Implementation impact on systems and resources
- Impact on CAISO ongoing operating costs



Benefit Criteria Descriptions

- **Grid Reliability. Impact the CAISO's ability to deliver reliable operation of the power system.**
 - Does the proposed initiative reduce an identified reliability risk?
 - Does the proposed initiative provide additional system security?
 - Does the proposed initiative provide better information on which to operate the system?
 - Does the proposed initiative help to ensure sufficient resources are available to meet peak loads?
 - Does the proposed initiative provide for a more effective means of dispatching resources?



Benefit Criteria Descriptions Continued

- **Improving CAISO Market Efficiency. Focusing on short-term energy and reserve market efficiency.**
 - Does the market initiative promote competition or facilitate expanded market/CAISO participation?
 - Does the proposed market initiative enhance the use of market instead of administrative mechanisms or CAISO discretion?
 - Does the proposed market initiative enhance CAISO transparency and provide better information (including price signals) to market participants?
 - Does the proposed market initiative increase assurances of nondiscriminatory treatment among market participants?
 - Does the proposed market initiative promote long-term regulatory certainty?
 - Does the proposed market initiative remedy any design flaws that were detrimental to market efficiency?
 - Will the proposed market initiative improve the perception of the viability and stability of the California markets, market participants, and the CAISO?



Benefit Criteria Descriptions Continued

- **Promote Efficient Infrastructure Development.**
Facilitate the timely and cost-effective development of electrical infrastructure that maintains reliability, meets growth and provides for efficient market outcomes.
 - Does the market initiative facilitate transparent, efficient investment price signals?
 - Would the market initiative reduce investment risk for transmission and/or generation infrastructure?



Benefit Criteria Descriptions Continued

- **Desired by Stakeholders.** Capture level of stakeholder support for proposed market initiatives.
- **Process Improvement.** Identify process improvements resulting in operating efficiencies and/or cost savings for market participants and/or the CAISO.



Feasibility Criteria Descriptions

- **Implementation Cost.** Provides the opportunity for both MP and the CAISO to provide input on the implementation cost of potential market design initiatives.
- **Implementation Impact on Systems and Resources.** In addition to cost, captures the impact a potential market initiative would have on operating systems and resources.
- **Ongoing operating costs.** Captures the potential impact on Market Participant and CAISO ongoing operating costs.



Benefit Criteria Weighting

- **Grid Reliability – Assigned weight of 10.**
 - Core function of the CAISO
- **Improving CAISO Market Efficiency – Assigned weight of 10.**
 - Core function of the CAISO
- **Promote Efficient Infrastructure Development – Assigned weight of 10.**
 - Critical for reliable operation of the grid as well as efficient market outcomes
- **Desired by Stakeholders – Assigned weight of 10.**
 - Market initiatives with a wide range of support should be given a high priority
- **Process Improvement (CAISO and Market Participants) – Assigned weight of 5.**
 - Less critical than other benefit criteria
 - Related cost reductions captured in feasibility criteria



Feasibility Criteria Weighting

- **All feasibility criteria assigned weight of 7 except for CAISO implementation costs which was assigned a weight of 10.**
 - CAISO and Market Participant implementation impacts weighted equally—except for CAISO implementation costs.
 - CAISO implementation costs weighted higher due to its impact on all market participants.



Revised 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



High Level Prioritization

- **Simplified ranking process used for high level prioritization**
 - Utilizes subset of ranking criteria
 - Categorize proposed initiatives as High, Medium, and Low priority
 - High priority initiatives then evaluated more thoroughly by applying ranking criteria methodology



High Level Prioritization Criteria

■ Benefit Criteria

- Grid Reliability
- Improving Market Efficiency
Desired by *(Combines an evaluation of both short-term and long-term market efficiency)*
- Stakeholders

■ Feasibility Criteria

- Market Participant
Implementation Impact
(combines cost and resource impact feasibility criteria)
- CAISO Implementation
Impact *(combines cost and resource impact feasibility criteria)*



High Level Prioritization Matrix

ATTACHMENT C: CAISO HIGH LEVEL PRIORITIZATION CRITERIA							
#		Criteria	Strategic Objective	HIGH 10	MEDIUM 7	LOW 3	NONE 0
1	Benefit	Grid Reliability	Reliability	Significant Improvement	Moderate Improvement	Minimal Improvement	No Improvement
2		Improving Overall Market Efficiency	Market Efficiency	Significant improvement	Moderate improvement	Minimal improvement	No impact
3		Desired by Stakeholders	Customer Care/Regulatory	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)		Significant Impact	Moderate Impact	Minimal Impact	No impact
5		ISO Implementation Impact (\$ and resources)		Significant Impact	Moderate Impact	Minimal Impact	No impact



Next Steps

- **Criteria to be finalized and presented to CAISO Board of Governors on October 18-19.**
- **Schedule to be developed for prioritizing proposed market initiatives once resource evaluation is completed**
 - Resources in near term committed to
 - Long-term CRRs
 - Convergence Bidding
 - MRTU Release 1 Activities
 - BPMs and training
 - Marginal Loss Surplus Study
 - Competitive Path Assessment Study