

Western Power Trading Forum Comments on the Reliability Services Initiative Workgroup

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WPTF is pleased to present these comments on the CAISO's January 28, 2014 Reliability Services Initiative (RSI) workgroup meeting of February 24, 2014.

We appreciate that the ISO provided further data at its workshop and are looking forward to the ISO's first white paper on the RSI topics. At this time WPTF offers the following limited comments in response to the high-level concepts offered by the ISO at the workgroup session.

Fundamentally WPTF supports the CAISO's approach to developing an auction where LSE's could procure forward requirements (either voluntarily, or preferably some mandatory portion of their requirements should the CPUC authorize such a policy) and through which the CAISO could procure residual needs. We thus generally support the concepts put forth in the workgroup session.

WPTF supports the CAISO proposal to allow suppliers and LSEs to be either buyers or sellers, and we believe that allowing suppliers to replace, or LSEs to procure or sell excess, in this manner will produce a more efficient RA outcome. We also support the ISO's proposed imposition of an administratively determined demand in the event of deficiencies or incremental ISO's needs that are unmet in through the voluntary auction.

WPTF supports others' verbal comments made during the workshop that the ISO and stakeholders need to think carefully about how the ISO should use a participant's bids for incremental procurement. A bid placed in one auction may not be set at an appropriate level given a different temporal auction (e.g., capacity that was bid at an average price for a month at one price, not procured and then picked by the ISO for shorter-duration auction – expectedly at the same rate). How to extract the residual supply curve from a subsequent auction thereby requires further thought.

WPTF also requests further feedback from the ISO as to the extent to which local and flexible residual or special needs can be procured through these RSI auctions. That is, does the ISO believe there are sufficient supplies in these segmented markets to make the auctions competitive? Or does the ISO believe some sort of mitigation will be needed for market power? We look forward to the ISO's input on this aspect of the design.

WPTF will be pleased to file more detailed comments after the ISO issues its first policy proposal.

Thank you for your consideration.