Western Power Trading Forum Comments on 10/1712 Market Initiatives Catalog

WPTF offers some general/process comments followed by specific ranking input.

WPTF objects to the proposed removal of a number of initiatives.

- 3.10 Incorporating Non-Modeled Constraints and the Effect of Exceptional Dispatch into LMPs [Pricing Minimum Online Constraints and Extended LMP, a.k.a. Convex Hull Pricing).]
- 5.4 30 Minute Operating Reserve
- 5.6 Frequency/Inertia Procurement
- 5.7 Voltage Support Procurement
- 6.1 Economic Methodology to Determine if a Transmission Outage Needs to be Scheduled 30 Days Prior to the Outage Month
- 6.2 Flexible Term Lengths of Long Term CRRs
- 6.4 Long Term CRR Auction
- 6.5 Multi-period Optimization Algorithm for Long Term CRRs
- 7.1 Allowing Convergence Bidding at CRR Sub-LAPs

WPTF supports the CAISO seeking a further deferral of item 2.3 the Marginal Loss Surplus Allocation.

WPTF also supports inclusion of the following item into the 764 stakeholder process rather than having it deleted as SCE proposed.

9.3 Make Whole Process for Wheel-Through Transactions

Initiative 1:__ Multi-year Forward Reliability Capacity Pricing Mechanism

High Level Prioritization Criteria Matrix

		Criteria	HIGH	MEDIUM	LOW	NONE	Your Score
			10	7	3	0	Use 0, 3, 7, or 10
A	Benefit	Grid Reliability	Significant Improvement	Moderate Improvement	Minimal Improvement	No Improvement	7
B		Improving Overall Market Efficiency	Significant improvement	Moderate improvement	Minimal improvement	No impact	10
C		Desired by Stakeholders	Universally desired by stakeholders	Desired by majority of stakeholders	Desired by a small subset of stakeholders	No apparent desire	
D	Feasibility	Market Participant Implementation Impact ($ and resources)	No Impact	Minimal Impact	Moderate Impact	Significant impact	10
E		ISO Implementation Impact ($ and resources)	No Impact	Minimal Impact	Moderate Impact	Significant impact	7
						Total	35

Grid Reliability *(provide a detailed explanation of how and why this initiative provides an improvement in grid reliability)* –

A multi-year RA requirement would provide a market-based mechanism to ensure that resources are operational that are needed for long-run reliability, and no such mechanism exists today. This would provide a much more comprehensive and robust mechanism to replace – for example – the risk of retirement mechanism

Improving Overall Market Efficiency *(provide a detailed explanation of how and why this initiative provides an improvement in grid reliability)* –

This would provide a significant improvement to market efficiency by providing a requirement to which the bilateral market would respond and correct according to market conditions. Currently no mechanism exists and the risk-of-retirement mechanism is suboptimal given that it is a case-

by-case consideration without an overall ability for the market to know, and respond to, reliability needs.

Market Participant Implementation Impact ($ and resources) *(provide a detailed explanation of what you expect the impact to be in terms of $ and resources)* –

It is unclear that there would be *any* market participant implementation impacts. Certainly clear forward requirements would ease participants' planning and procurement practices.

ISO Implementation Impact ($ and resources) *(provide a detailed explanation of what you expect the impact to be in terms of $ and resources)* –

Systems impacts are expected to be minimal. Changes to templates for RA plan submittals and to assessments for, and tracking of, participants' out-year requirements would be needed. However, resources to assess one-off risk of retirement situations would be alleviated. Net impacts are expected to be nominal.

Initiative 2:__ Incorporating Non-modeled Constraints and the Effect of Exceptional Dispatch into LMPs

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High Level Prioritization Criteria Matrix

		Criteria	HIGH	MEDIUM	LOW	NONE	Your Score
			10	7	3	0	Use 0, 3, 7, or 10
A	Benefit	Grid Reliability	Significant Improvement	Moderate Improvement	Minimal Improvement	No Improvement	7
B		Improving Overall Market Efficiency	Significant improvement	Moderate improvement	Minimal improvement	No impact	10
C		Desired by Stakeholders	Universally desired by stakeholders	Desired by majority of stakeholders	Desired by a small subset of stakeholders	No apparent desire	
D	Feasibility	Market Participant Implementation Impact ($ and resources)	No Impact	Minimal Impact	Moderate Impact	Significant impact	10
E		ISO Implementation Impact ($ and resources)	No Impact	Minimal Impact	Moderate Impact	Significant impact	7
						Total	34

Grid Reliability *(provide a detailed explanation of how and why this initiative provides an improvement in grid reliability)* –

Providing market based pricing mechanisms for the reliability needs the CAISO has would encourage provision of these resources and provide price signals necessary to support the ongoing short-run provision as well as the necessary long-run investment signals to ensure the resource and grid investment occurs in a way that supports the ISO's reliability needs.

Improving Overall Market Efficiency *(provide a detailed explanation of how and why this initiative provides an improvement in grid reliability)* –

Pricing the services important to the CAISO's reliability is paramount to market efficiency. As the system gets leaner and is stressed in new and different ways there seems to be an increasing need to manage constraints that are not traditional LMP-market drivers. Getting these new needs of the CAISO into the market price signals is critical to market efficiency. Absent such significant market distortions are developing.

Market Participant Implementation Impact ($ and resources) *(provide a detailed explanation of what you expect the impact to be in terms of $ and resources)* –

There should be essentially no market participant systems impacts should the CAISO pursue an extended LMP approach as the market pricing is simply further built into the LMPs. Any impacts will likely be limited to training and education.

ISO Implementation Impact ($ and resources) *(provide a detailed explanation of what you expect the impact to be in terms of $ and resources)* –

The CAISO would need to change its price formulation. Downstream systems should be unaffected.

Initiative 3: 30 Minute Operating Reserve (D)__(WPTF recommends combining this initiative with consideration of frequency, intertia and voltage support, although we have ranked this later set of initiatives below.)_____

WPTF also notes that the recently issued FERC order on Exceptional Dispatch mitigation seems to require the CAISO consider this item. FERC indicated: ""We strongly encourage CAISO to continue evaluating, through its stakeholder process, new market products, including, but not limited to, a 30-minute ramping service that may reduce CAISO's reliance on exceptional dispatches." P43

High Level Prioritization Criteria Matrix

		Criteria	HIGH	MEDIUM	LOW	NONE	Your Score
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A	Benefit	Grid Reliability	Significant Improvement	Moderate Improvement	Minimal Improvement	No Improvement	10
B		Improving Overall Market Efficiency	Significant improvement	Moderate improvement	Minimal improvement	No impact	10
C		Desired by Stakeholders	Universally desired by stakeholders	Desired by majority of stakeholders	Desired by a small subset of stakeholders	No apparent desire	
D	Feasibility	Market Participant Implementation Impact ($ and resources)	No Impact	Minimal Impact	Moderate Impact	Significant impact	7
E		ISO Implementation Impact ($ and resources)	No Impact	Minimal Impact	Moderate Impact	Significant impact	3
						Total	30

Grid Reliability *(provide a detailed explanation of how and why this initiative provides an improvement in grid reliability)* –

Providing market based pricing mechanisms for the reliability needs the CAISO has would encourage provision of these resources and provide price signals necessary to support the ongoing short-run provision as well as the necessary long-run investment signals to ensure the resource and grid investment occurs in a way that supports the ISO's reliability needs.

Improving Overall Market Efficiency *(provide a detailed explanation of how and why this initiative provides an improvement in grid reliability)* –

When the CAISO begins to procure the resources it needs through market products it will eliminate distortions and provide the signals necessary for provision of the services in the short run and investment in resources in the long-run. There is a significant lack of transparency in the CAISO's current management of contingency requirements (through exceptional dispatch and MOCs.) Growing reliance on these mechanisms is significantly hampering the price signals needed for the services required. Creating a 30-min reserve product to manage these needs would alleviate these issues.

Market Participant Implementation Impact ($ and resources) *(provide a detailed explanation of what you expect the impact to be in terms of $ and resources)* –

Minimal impacts are expected. An additional ancillary service product will be created. However, the product should be not significantly different from existing ancillary services. Changes will, however, be required to front-end systems for those wishing to provide and to back-end systems for providers and buyers.

ISO Implementation Impact ($ and resources) *(provide a detailed explanation of what you expect the impact to be in terms of $ and resources)* **–**

The ISO would have to implement an additional AS. This would likely be modeled off of existing markets, simply requiring replication of systems features to an additional product.

Initiative 4:____Frequency/Intertia Procurement and Voltage Support Procurement (WPTF advocates for combining these two items and combining them with the 30-minute operating reserve initiative)_____

High Level Prioritization Criteria Matrix

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						Total	30

Grid Reliability *(provide a detailed explanation of how and why this initiative provides an improvement in grid reliability)* –

Providing market based pricing mechanisms for the reliability needs the CAISO has would encourage provision of these resources and provide price signals necessary to support the ongoing short-run provision as well as the necessary long-run investment signals to ensure the resource and grid investment occurs in a way that supports the ISO's reliability needs.

Improving Overall Market Efficiency *(provide a detailed explanation of how and why this initiative provides an improvement in grid reliability)* –

When the CAISO begins to procure the resources it needs through market products it will eliminate distortions and provide the signals necessary for provision of the services in the short run and investment in resources in the long-run. There is a significant lack of transparency in the CAISO's current management of voltage, frequency and intertia. Pricing explicitly would alleviate these issues.

Market Participant Implementation Impact ($ and resources) *(provide a detailed explanation of what you expect the impact to be in terms of $ and resources)* –

It is unclear what the mechanism would be for procurement. The most significant implementation impacts would occur if the CAISO implemented a clearing price-based mechanism for these services.

ISO Implementation Impact ($ and resources) *(provide a detailed explanation of what you expect the impact to be in terms of $ and resources)* –

It is unclear what the mechanism would be for procurement. The most significant implementation impacts would occur if the CAISO implemented a clearing price-based mechanism for these services.

Initiative 5:__Data Transparency_____

High Level Prioritization Criteria Matrix

		Criteria	HIGH	MEDIUM	LOW	NONE	Your Score
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A	Benefit	Grid Reliability	Significant Improvement	Moderate Improvement	Minimal Improvement	No Improvement	7
B		Improving Overall Market Efficiency	Significant improvement	Moderate improvement	Minimal improvement	No impact	10
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						Total	34

Grid Reliability *(provide a detailed explanation of how and why this initiative provides an improvement in grid reliability) –*

Price corrections and other significant barriers to participants' trust in the markets threaten the depth of market participation.

Improving Overall Market Efficiency *(provide a detailed explanation of how and why this initiative provides an improvement in grid reliability) –*

A lack of transparency and market confidence significantly hampers market efficiency and creates market participants costs.

Market Participant Implementation Impact ($ and resources) *(provide a detailed explanation of what you expect the impact to be in terms of $ and resources) –*

Market participant costs are expected to be reduced by, for example, improved CAISO price posting and improved data from the ISO. Any direct implementation costs will be dwarfed by savings that participants will experience with the market information is clear, complete and stable.

ISO Implementation Impact ($ and resources) *(provide a detailed explanation of what you expect the impact to be in terms of $ and resources) –*

Most improvements are expected to come from operating practices. Beyond improved practices, posting additional information to OASIS for example should not create a significant implementation impact for the CAISO.