

Western Power Trading Forum Comments on CAISO Aliso Canyon Draft Final Proposal

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The Western Power Trading Forum (WPTF) appreciates the opportunity to provide comments on the September 26, 2016 straw proposal presentation and stakeholder call.

The ISO's Aliso Canyon phase 2 initiative proposes whether to extend, retire, or augment market design changes that were approved by FERC until November 30, 2016, as well as considers any new market changes needed through the winter and potentially through 2017.

Generally, WPTF supports the evaluation of whether the temporary measures need to be extended and refined, and appreciates the ISO making the commitment to increase transparency where needed. Below we specifically address each proposal item.

WPTF supports the ISO's decision to retire the ability to reserve internal transfer capacity on all paths.

The ISO's decision to retire the ability to reserve internal transfer capacity on all paths as well as the associated provision to adjust CRR amounts in the monthly auction is logical given Peak RC's modified system operating limit (SOL) methodology. Using real-time contingency analysis to increase transfer capability will use more up-to-date information and result in increased reliability. WPTF echo's NRG's request on the call for additional transparency in real-time when paths will be biased upward.

WPTF supports the continued use of the gas availability and gas balancing constraint; however, believes more work needs to be done to clarify the process both internally and externally. WPTF supports using market constraints, but would like additional detail regarding pricing and dispatch. It sounds like the ISO would be willing to provide additional transparency and WPTF looks forward to providing feedback in the BPM process.

WPTF continues to assert that operators will have to be comfortable with the idea that the gas constraint will ensure sufficient resources going forward in order for them not to default to exceptional dispatch. The ISO has stated they will provide additional operator training, and WPTF believes this training should be on-going throughout the winter such that when the need arises, operators will be able to activate the constraints.

There should be increased transparency on when the ISO will both override the assessment of competitive paths if the constraint is systemically binding and when the ISO will suspend virtual bidding if constraint is imposed frequently. WPTF is supportive of the ISO continuing this authority as it will both increase market efficiency in the event the constraint is predictably and consistently binding. There are nuances; however, that the ISO has not described or made transparent and these remain of a significant concern to WPTF. For example, what would qualify as systemic binding? How will this information be translated to market participants? How long will the enforcement remain in place? The BPM at this point provides limited information.¹ WPTF appreciates the ISO adding to Section 2.5.2.4 of their Market Operations BPM indicating the ISO will issue a technical bulletin on the justification for a general suspension or limitation of Virtual Bids related to Aliso Canyon gas coordination modeling or operations.

¹ Market Operations BPM, section 6.5.3.

Continued measures to increase information and improve gas price estimation are vital for capacity optimization through the winter. These measures are what allow suppliers to manage their resources and WPTF supports their continuation. It is unclear why the ISO believes that 125% will continue to be sufficient through the winter. If gas prices indicate 125% was about right most of the time in the summer when there were no significant gas events and the ISO didn't even have to use any of their sought measures from FERC, it seems like this would need to be increased given expected winter conditions. The analysis on slide 23² demonstrates the appropriateness of 125%, but if this is not increased, when the ISO redoes this analysis into the winter, WPTF would expect there to be a very different story told. WPTF asks the ISO continue to monitor gas prices throughout the winter.

² <http://www.caiso.com/Documents/AgendaPresentation-AlisoCanyonGas-ElectricCoordinationPhase2-StrawProposal.pdf>