

Western Power Trading Forum Comments on CAISO RSI Proposal Design Changes

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WPTF offers the following comments on the changes to the Reliability Services Initiative (RSI) proposal the CAISO proposed during the December 10 working group meeting.

WPTF opposes coupling the Availability Incentive Mechanism (AIM) price to the CPM soft cap. WPTF found the CAISO's prior arguments that the AIM and Capacity Procurement Mechanism (CPM) prices should rightly be de-coupled compelling. Whereas a CPM in excess of going RA rates is appropriate when regular bilateral mechanisms have failed to provide sufficient capacity, having an AIM price above a supplier's ordinary bilateral compensation will simply discourage the provision of RA and/or put upward pressure on RA pricing to manage this risk. The AIM price should serve to motivate performance but should not create disproportionate price risks.

WPTF opposes the proposal to penalize forced outages under CPMs at a higher rate. WPTF opposes this recent proposal both because it does not seem to represent a proper risk/reward balance and because it would be problematic to effect objectively. As indicated above, WPTF believes that the AIM risks should be on par with the bilateral market RA awards, and that AIM prices that are especially punitive will simply add risks and bilateral contracting costs. Forced outages are random in nature and not chosen by a market participant. To penalize a participant more when the conditions align to result in the need for a CPM simply adds risk, and the risk added would be difficult to assess itself. Furthermore, as the ISO discussed during the work group meeting, it will be virtually impossible to determine the extent to which a CPM call is a result of an outage. Rather it will likely be a combination of conditions that would produce a CPM call, creating only arbitrary conditions of assigning some or all of the CPM cost to a unit on a forced outage. Finally, given the infrequency with which CPM calls for forced outages occur, WPTF would propose to simply defer any further consideration of such proposal elements.

WPTF supports the CAISO's proposal to exempt AIM penalties under conditions whereby the ISO moves or cancels a planned outage. Such a design proposal ensures that the CAISO's outage scheduling activities do not create further harm on a supplier in the form of AIM penalties. We appreciate the ISO modifying its proposal to provide a means to balance the consequence of the ISO moving a supplier's outage.

We appreciate your consideration of our comments.