

**WPTF Comments on  
Exceptional Dispatch Review and Assessment White Paper  
June 10, 2010**

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Submitted by	Company	Date Submitted
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WPTF appreciates this opportunity to provide comments on the California ISO's (CAISO's) June 10, 2010, Exceptional Dispatch Review and Assessment White Paper ("White Paper").

Please add your comments below.

1. Decline in Exceptional Dispatch. Do you agree that Exceptional Dispatch has declined? The White Paper concludes that Exceptional Dispatch has declined by approximately 70% in terms of MWh volume, percentage of load, total hours and frequency. The White Paper also concludes that costs associated with Exceptional Dispatch have declined by as much as 65%. Do you agree that a level of Exceptional Dispatch in this range can be considered acceptable?

Yes. The CAISO's diligent efforts to incorporate constraints in its network model and otherwise reduce operator intervention have been effective at reducing ED's. WPTF recommends against assuming that the ED issue has essentially been resolved for compensation issues (discussed further below) and given the light load conditions of the first year of MRTU operations.

2. Significance of Exceptional Dispatch. Do you see Exceptional Dispatch as a significant issue? The White Paper notes that Exceptional Dispatch is only a monthly average of 0.25% of load during January-March 2010.

WPTF sees ED as a significant policy issue with meaningful implications for market design and pricing – an issue that exceeds in importance the statistical impact cited above. WPTF is concerned particularly about the services such as *capacity* services seemingly needed given EDs, the inclusion of such services in the markets, and their explicit compensation in the markets. ED masks the services, and the CAISO's inclusion of the minimum on line capacity requirements also creates some

transparency concerns. WPTF is also concerned about the possible distortions of any continued EDs at the interties.

3. Need for New Market Product. Do you see a need for a new market product? The White Paper concludes that the modeling and software improvements undertaken to date have significantly reduced Exceptional Dispatch.

The White Paper concludes that no new market products are needed based on a review of Exceptional Dispatch data. WPTF is concerned that this conclusion is misleading and likely premature.

WPTF now appreciates, based on the CAISO's paper and discussions at the June 17 meeting, that the CAISO may be interpreting "products" more narrowly than are WPTF members. WPTF firmly believes that the services the CAISO needs should be explicit and receive the appropriate compensation. While a new product specifically designed to reduce the frequency of exceptional dispatch is not required, and though the on-line capacity constraints is preferable to an out of market mechanism, the use of an on-line capacity constraint should not be viewed as an end state for two important reasons. First, it lacks transparency regarding the need, and second it appropriates the reliability services required rather than specifying an unbundled, competitively procured market product that satisfies the need.

The CAISO market designers acknowledged at the meeting that issues still remain regarding the compensation of units that now are committed through the ISO markets as a result of the inclusion of the minimum on-line constraints. In particular these units are getting committed and are receiving some cost recovery for start up costs. But no impacts of these units are included in market prices, nor do the units have an opportunity to receive market-based rates for the capacity type services they are provided. To this end, WPTF has continued to advocate for consideration of new products and services. For the ISO to conclude they are complete with this process or to suggest that any new products will arise from the renewable integration and/or dynamic transfer process is wrong in WPTF's opinion and is counter to what we considered to be new product development.

WPTF strongly encourages the CAISO to explicitly acknowledge the impressions expressed by Mark Rothleder that more work is needed in this area and continue this ED services/product consideration until those issues have been resolved. To either demote that effort out of an explicit stakeholder process, try to tag it on to renewable integration, or to make it "get to the back of the line" in the next round of road map process would be wrong and seemingly disingenuous.

Secondly, the data relied upon by the CAISO covered a period since the start of the new market where load and congestion levels were relatively low. Under stressed market/operating conditions, the CAISO may be required to rely more heavily on Exceptional Dispatch and the need for certain resources and/or services may be revealed. WPTF urges the CAISO to commit to a look back annually – and in particular as supply and demand conditions change.

Lastly, the ISO strategy for market development needed to facilitate the successful implementation of 33% renewables is to improve accuracy and transparency of pricing and provide incentives for market and operating behavior that supports reliability. Yakout was clear at the last Board meeting that critical to renewable integration was compensation for the vital services that will be needed. For this reason also the compensation for services that are incorporated into the market should be paid close attention to.

4. Monthly Reports. Given that the information in the Monthly Table 1 Report is entirely contained in the Monthly Table 2 Report, and that the ISO also makes Exceptional Dispatch information available in the monthly Market Performance Report, do you see a need for the ISO to continue to provide all three reports?

WPTF encourages continued reporting in a manner that is effective and efficient yet defers to the comments of its members regarding specifics of the form and content of the report.

5. Other Comments?