Stakeholder Comments

Commitment Costs and Default Energy Bid Enhancements Draft Final Proposal

Submitted by	Company	Date Submitted
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Southern California Edison (SCE) offers the following comments on the Commitment Costs and Default Energy Bid Enhancements (CCDEBE) Draft Final Proposal[1] of the California Independent System Operator (CAISO).

SCE supports parts of the proposal

SCE supports the proposed 200% cap on market-based commitment cost and thanks the CAISO for considering stakeholder comments. SCE also supports the CAISO continuing to pursue implementing the Aliso Canyon temporary measures as permanent. SCE, as the DMM, recognizes the importance of incorporating the early morning ICE information into the day-ahead market as well as the real-time gas indices based on observed trades. As the DMM demonstrated through their empirical analysis, this will reduce the price variability of the gas purchased in the next day market. SCE supports the CAISO's consideration of MLE in a feasible-startup. Finally, SCE thanks the CAISO for adding language to clarify and accommodate Lin Xu's concern[2].

The CAISO should detail how it would include a liquidity requirement in the aggregated market price distribution

It is not clear from the August 30 stakeholder call and Appendix C of the Final Proposal on how a liquidity requirement would be incorporated in the proposed aggregated market price

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[1] http://www.caiso.com/Documents/DraftFinalProposal_CommitmentCosts_DefaultEnergyBidEnhancements.pdf
[2] Page 44
http://www.caiso.com/Documents/Agenda_Presentation_CommitmentCosts_DefaultEnergyBidEnhancements.pdf

distribution, since it appears that the CAISO is proposing to build the aggregated market price distribution without volumetric information for underlying transactions.

For instance, the CAISO has not addressed how the off-ICE quotes will specifically be treated when constructing the aggregated market price distribution. Appendix C states that the aggregate distribution will be constructed "by overlaying offers scraped from" off-ICE quotes, which only indicates that off-ICE quotes would be included but not how they would be included, or how the other categories (such as, custom products) would be included.

A detailed example of how the off-ICE quotes would construct an aggregated distribution would help SCE understand exactly what the CAISO is proposing. Appendix C language does not indicate that an aggregate distribution cannot be composed solely of off-ICE quotes. Thus, can an aggregate distribution be composed solely of off-ICE quotes? If not, then how many off-ICE quotes would be acceptable in the distribution? What will be the treatment for custom products in the aggregate distribution?

SCE cannot support the proposed mitigation without vetting and testing – the CAISO should commit to testing at the Board of Governors

While SCE supports the CAISO proposal to make transparent any set of constraints identified in addition to critical constraints, it reiterates its request that the CAISO explicitly define that the set of testing constraints should include the four types of constraints listed by the CAISO[3]. SCE thanks the CAISO for all the details they have provided regarding the MPM, however, since the proposed MPM methodology is new and since the number of additional constraints may vary from time to time, SCE strongly urges initial testing of the new methodology, and other potential methodologies, including the one proposed in the technical call that was excluded ifrom the latest proposal, to ensure that the MPM is sufficiently accurate in performance[4]. Given that the

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[3] I.e., critical constraints, constraints from static structure competitive test, constraints from local capacity study and seasonal assessments, and constraints from using D+1 or IFM results and static SF for non-binding constraints to each node to calculate RSI for every constraint in an off-line tool. Page 11 of the Technical Update.

[4] Frequent changes, such as treating each constraint at unity (compared to the calculated shadow price approach) and then reverting back, is another reason for needing testing. The CAISO considers the proposal to treat at unity as robust, page 35,
http://www.caiso.com/Documents/Agenda_Presentation_CommitmentCosts_DefaultEnergyBidEnhancements.pdf
Robustness would indicate an empirical test, which has not yet been performed. Thus, testing is needed.

Board of Governors approval is required to invest in the new MPM, the CAISO should commit to testing at the Board presentation.

Finally, the CAISO should address some of the outstanding issues raised earlier[5], such as the interaction with Contingency Modeling Enhancements and Generator Contingency and Remedial Action Scheme Modeling.

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[5]
http://www.caiso.com/Documents/SCEComments_CommitmentCosts_DefaultEnergyBidEnhancementsRevisedStrawProposal.pdf