

Comments of Boston Energy Trading and Marketing on The Aliso Canyon Gas-Electric Coordination Straw Proposal

Boston Energy Trading and Marketing (“Boston Energy”) appreciates the opportunity to comment on the Aliso Canyon Gas-Electric Coordination Straw Proposal issued on April 15th and discussed with stakeholders at the Market Surveillance Committee on April 19th. Boston Energy is supportive of the overall direction of the CAISO’s proposal and offers the following comments for consideration.

Gas Availability Constraint

Boston energy supports the development of a gas availability constraint. That said it is critically important to the market that the CAISO provides full transparency regarding the makeup and implementation of this constraint.

First and foremost, the ISO should include in its draft final proposal the penalty price the ISO will use for this constraint. Disclosure of the penalty price at this stage in the process is necessary to give market participants sufficient time to analyze the impact this constraint will have on market scheduling and pricing.

Second, the ISO needs to provide additional details in the draft final proposal around the makeup of the constraint. Specific areas requiring additional information include: (1) the geographic area of the constraint and the dynamic nature of creating sub constraints that only include a subset of SP15 generators, (2) information on how the shift factors for the generators included in the constraint will be determined, and (3) management of the constraint across applicable hours (i.e. does the constraint have the ability to move unused gas supply to future hours of the day and will the same penalty price apply in all hours).

Third, the ISO needs to provide full transparency to when and where the constraint is applied. The ISO should take all necessary steps to include this constraint in the day-ahead market if they are aware of limitations in gas supply to the system. When the constraint is activated the ISO should release the full constraint definition, the generation included in the constraint, and the shift factors of each generator. This information should be made available to all market participants who have signed a NDA.

Lastly, the ISO needs to clarify the description of the Rh term on page 15 of the straw proposal. The current description implies that this constraint is a real-time constraint only. This definition contradicts comments made by CAISO staff at the 4/19 Market Surveillance Committee meeting. At that meeting the CAISO described the constraint as being a day-ahead and/or real-time constraint. It is unclear how this constraint would be applied in the day-ahead market since the schedules are an outcome of the optimization.

Ability to Derate Path 26

CAISO needs to provide greater detail into the mechanics of how this would work both in the day-ahead and real-time markets. Specifically, CAISO needs to better describe how it intends to incorporate this derate into the day-ahead and real-time markets. Is the derate only in the North to South Direction? Does the CAISO anticipate derating Path 26 in the day-ahead market every day or just for specific days/hours based on system conditions? If the decision is based on system conditions, what are those conditions? When the CAISO derates Path 26 in the day-ahead market will it automatically release the derate in the FMM and RTD market runs? What is the expected derate amount and will it be the same for all hours?

Transparency into the limit set by the CAISO and notification of when Path 26 will be derated/released is critical information that should be publically available. CAISO should release the derated path limit well in advance of the day-ahead market closing time and include forward derate information in the CRR auction data that is released prior to the monthly/annual CRR auctions.

Release of 2 Day-Ahead (2DA) Market Results

Boston Energy requests the CAISO provide more detail regarding what specific information will be released in the 2DA timeframe. The straw proposal discusses releasing only 2DA generation schedules. If the CAISO decides to release this information, the CAISO must also publish the corresponding 2DA LMPs on OASIS. The release of the 2DA LMPs to all market participants will keep everyone on a level playing field. Failing to do so would give scheduling coordinators of generation assets an advantage over market participants that don't schedule physical generation into the CAISO market.

Gas Balancing Constraint

Boston energy supports the development of a gas balancing constraint. That said it's critically important to the market that the CAISO provides full transparency regarding the makeup and implementation of this constraint.

First and foremost, the ISO should include in its draft final proposal the penalty price the ISO will use for this constraint. Disclosure of the penalty price at this stage in the process is necessary to give market participants sufficient time to analyze the impact this constraint will have on market scheduling and pricing.

Second, the ISO needs to provide additional details in the draft final proposal around the makeup of the constraint. Specific areas requiring additional information include: (1) the geographic area of the constraint and the dynamic nature of creating sub constraints that only include a subset of generators, (2) information on how the shift factors for the generators included in the constraint will be determined, and (3) management of the constraint across applicable hours (i.e. the 150 MMcfd value appears to be dynamic based on forecasted gas schedules).

Third, the ISO needs to provide full transparency to when and where the constraint is applied. When the constraint is activated the ISO should release the full constraint definition, the generation included

in the constraint, and the shift factors of each generator. This information should be made available to all market participants who have signed a NDA.

Real-Time Gas Price Information

Boston Energy is supportive of the CAISO's proposed option 1, which will allow generators to submit real-time gas costs to the ISO in order for those gas prices to be used in generators real-time proxy cost and Default Energy Bid (DEB) calculations.

Boston Energy request clarification on what specific costs could be included in the commodity price and gas transportation price fields proposed by the CAISO. For example, will the CAISO allow generators to include real-time gas balancing penalty costs in either the commodity or gas transportation price fields? In addition, the CAISO needs to provide greater detail into the audit requirements for scheduling coordinators who take advantage of this new functionality. Specific language as to what type of documentation would be acceptable to the CAISO and how long such documentation should be archived needs to be clearly defined. For scheduling coordinators that don't want to take on the additional compliance burden of being subject to audits and cost demonstrations; the CAISO may want to consider allowing scheduling coordinators to select the day-ahead gas price index as a default option.

Lastly, at the Market Surveillance Committee meeting the CAISO disclosed as an interim measure the ISO is considering increasing the percentage adder for Start-Up and Minimum Load proxy costs to 150% and the percentage adder for DEB bids to 25%. Boston energy supports the CAISO increasing the percentage adders until the option 1 software can be developed, but feels the percentage adders should be consistently applied. In order to avoid price distortions and increased bid cost recovery payments, the CAISO should increase the percentage adder for the DEB bids to 50%. By doing so the ISO will be sending a price signal that more accurately reflects market conditions and will provide greater incentives for generators to provide as much incremental and decremental flexibility as possible.

If you have any questions please let me know.

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