

Stakeholder Comments

**Contingency Modeling Enhancements CRR Alternatives
Discussion Paper, January 28, 2016**

Submitted by	Company	Date Submitted
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SDG&E appreciates the opportunity to comment on the Contingency Modeling Enhancements (CME) Congestion Revenue Rights (CRR) Alternatives Discussion Paper and presentation at the Market Surveillance Committee meeting on February 11. SDG&E continues to support CAISO's persistence in implementing a method to reduce contingencies triggering Exceptional Dispatches (ED) and minimum online capacity (MOC) constraints. However, SDG&E is concerned with increasing complexities of the proposal presented, specifically CRR alternatives, and the lack of supporting data which remains to be presented. SDG&E supports the CAISO design of the CME portion of the January 28th paper subject to support from prototype data. Also, SDG&E advises a phase two or new stakeholder process to more effectively focus on CRR revenue inadequacy issues and CME's interaction with CRR allocations.

CME Preventative-Corrective Constraint

The preventative-corrective constraint proposed as a method to reduce contingency situations seems reasonable. But, before SDG&E can fully support this proposal, it will be imperative to review the prototype data and technical analysis scheduled to be released next week. This is important to show what types of impact the theoretical preventative-corrective constraint will have on market results. Once data illustrates a properly functioning preventative-corrective constraint, SDG&E supports moving forward as designed.

CRR Enhancements

Our current position is to not change the CRR process with a commitment to a longer term study and stakeholder process to redesign CRRs. SDG&E understands the CRR market will not reflect the new post-contingency constraint in the short run. But, the eight proposed CRR alternatives are either simple and may not do enough to accurately address possible over-allocation or a revenue inadequacy problem, or, they are

complicated potentially better addressing misalignment issues but may be difficult and costly to implement. Additionally, we have mixed confidence on the true impact of complex methods proposed. More study is needed. And, data will be very helpful in illustrating which solution(s) will provide the desired result. This is why SDG&E believes the stakeholder process and integrity of design would benefit from a longer time horizon. SDG&E believes it may be difficult to build consensus on the best CRR solution by the June Board of Governors meeting.

Implement CME after positive prototype data results and a CRR alternative after a period of study and design with the preventative-corrective constraint in the market

Once data is reviewed and supports proper preventative-corrective constraint design, SDG&E recommends CAISO implement the CME portion of the proposal and undertake a thorough review process of market results with the new constraint and subsequent impact on CRRs. SDG&E believes the current CRR proposal is a rushed approach to a very complicated matter. We believe the CAISO and stakeholders would be best served to implement the CME portion of the proposal and commit to a full review of market performance and CRR interaction. Then, with actual market data and market experience, the CAISO and stakeholders are much better equipped to design and update to the CRR process to account for actual impacts from the preventative-corrective binding constraint. If we do not take a calculated approach, we run the risk of implementing something very complicated which may not work as intended and may be costly without garnering expected results.

Additionally, in our last round of comments, SDG&E requested a more robust discussion on the interaction of Convergence Bids (CBs) and the CME proposal. We realize this current proposal was specific to the preventative-corrective constraint, the possible impact on CRR's and alternative CRR proposals. SDG&E comments to CBs to ensure they are covered in the next revised straw proposal.