

**Market Operations Task Team
Meeting Notes
October 9-10, 2002**

Summary of Discussion:

1. Market Operations Template: The bulk of the discussion at the meeting was captured in the Market Operations Template, which is posted on the RTO West website. This template uses headings adapted from the SMD NOPR as a reference frame for organizing the market operations process. The template has separate columns to describe issues related to the Day-Ahead (DA), Post-Day-Ahead (PDA) and Real-Time (RT) periods.
2. Additional Notes: The following items were captured during the discussion of the Market Operations Template which are either not yet fully incorporated within the template or are subjects for future discussion and research:
 - a. The nature of the transmission hedge, particularly whether any **protection between DA and RT**.
 - b. **Settlement examples** should be developed to aid understanding and check workability of concepts.
 - c. The **nature of bids** was discussed at some length. Do bids made DA automatically carry over to RT? If so can the energy price bid only be reduced in RT as suggested in the SMD NOPR?
 - i. Concern was expressed that forcing DA bid to carry over to RT is a “free option” which will be included in the DA bid.
 - ii. A bid should have a period for which it is valid, but forcing that to extend for 24 hours or more will raise the price of DA bids.
 - iii. The recommendation is that bids for DA expired at the close of the DA process. Bids selected DA are binding and cannot be changed, including the energy price associated with bids for reserve capacity – that is the deal and is locked in.
 - iv. Capacity not scheduled DA may be bid without restrictions in RT markets, subject to the need for Market Power Mitigation Provisions, which will be developed later.
 - v. The bidding period for RT should be a sliding window tied to each hour of RT. A four hour window is used in Ontario; the Ontario approach should be researched.

- vi. At the next team meeting, the time frames for the operational should be blocked out, with actual times to provide clarity and check workability.
 - vii. The SMD NOPR proposed a “bid revenue sufficiency guarantee” to insure that units committed with multi-part bids (start-up cost, no-load cost, etc.) collect their minimum costs over a 24 hour period. If they do not, the shortfall is collected as a surcharge to market participants. The team’s feeling was that such costs should be internalized in bids, and a revenue guarantee charge would not be needed.
 - viii. The definition of nodes was discussed; the general feeling was that individual generators may be grouped in an aggregation node (i.e. a plant bus to represent all units within a plant) where the accuracy of power flow calculations is not affected.
- d. **Demand participation** in bidding needs further definition:
- i. Which products can demand bids supply?
 - ii. What is their role in the DA market? the RT market?
 - iii. What are the technical capabilities of various types of demand resources? How is that captured in bids?
 - iv. A major issue is “title to power”, i.e., what is the contractual relationships between the original suppliers of energy and the demand-side bidder and RTO West?
- e. The discussion of **multi-part bids** usually is related to intermediate type thermal units where bids for start-up cost, no-load cost, etc. are combined with technical characteristics like start time and minimum load to determine whether it is more economical to keep such units on-line overnight or restart them the following morning.
- i. Given RTO West’s mix of resources, the initial view was that single-part bids were adequate.
 - ii. However, more complex bids with multiple parts will allow better utilization of hydro resources, such as providing a block of energy to the RTO which it can shape.
 - iii. A recommendation was made to adopt a multi-part bid approach; however the elements of RTO West multi-part bids will have to be developed.

- iv. (S.Walton comment: In retrospect, it appears that there is an inconsistency between this decision and the decisions on “bid revenue sufficiency” above.)
- f. **Penalties** were discussed. There is a difference between accidents and repetitive failure to produce as scheduled. However, RTO West should not get into the business of determining supplier “intent”. In developing penalty structures, features may be incorporate that consider the scale of deviations and the number of recent occurrences. Such an approach may be able to avoid the intent question but still provide fair treatment for accidents or inadvertent errors.
- g. The **Settlement Interval versus the Dispatch Interval** was discussed. The following points were made:
 - i. PJM uses 5 minute interval and settles using hourly integrated values. Use of hourly values simplifies settlement but uses a short dispatch interval for accuracy of price signals for system load following.
 - ii. CAISO has an "Hour-Ahead" market settlement (operating two-hours ahead) and real time settlements for every 10 minute interval.
 - iii. The SMD NOPR proposes 5 minute dispatch intervals and 5 minute settlements intervals.
 - iv. For seams compatibility, should the dispatch interval be matched to CAISO at 10 minutes? The financial settlements could differ with hourly settlements in RTO West and shorter settlements in CAISO, but the physical dispatch between the two could be coordinated on the same time scale.
 - v. Further research is warranted and consideration of the control related issues by the Metering, Control and Communications Team.
- h. Three potential **white papers** were identified:
 - i. Hubs and Zones – A discussion of application of this concept in RTO West – Preston Michie will do a first draft.
 - ii. Clearing Price Mechanisms – A diagrammatic/flow chart approach to clarify the process for setting clearing prices across the markets and time periods, which is currently buried in separate provisions – Steve Walton will do a first draft.

- iii. Transmission Reservations for Reserves – This is likely a joint project with Ancillary Services Team – Future drafting assignment to be made.

3. Future Team Meetings:

- a. There will be a conference call from 10:00 to 12:00 Pacific Time on Monday, October 14th to discuss re-draft of template prior to posting on the website Monday night. The template and related issues will be the major topic of discussion at the next full work group session on October 16-17.
- b. A task team session the afternoon of October 17 is scheduled to follow the full group meeting and allow follow-up on full group discussion of the template and coordination of new assignments.