Market Structures Working Group
June 16, 2003 RTS Market Rules Review Meeting
Ancillary Services Markets Issues List

1. Address outstanding question regarding whether or not the demand curves will be included in the tariff.

2. Consider alternatives to address concerns regarding the requirement that the emergency response rate must be greater than or equal to the highest of the 3 possible normal response rates.

3. Investigate the issue raised concerning the dispatch of regulating units below their offered regulation amount with no LOC being paid and discuss how this is addressed by RTS.

4. Review real-time demand response metering requirements with PSC staff working on competitive metering.

5. As submitted by Tim Bush, Navigant Consulting:

   As described by Andrew and the ISO staff there, the reserve pickup application will attempt to re-establish the 10 minute reserve simultaneously with scheduling generation to cover the loss of a generation resource. The reasoning given for this was to come up with better pricing for the energy that is called upon for to meet the unit loss.

   I have a couple of concerns with this approach, as you may have noted.

   1. Reliability criteria allows for a 30-minute window following the loss of a unit to re-establish the 10-minute spinning reserve. it does not make operational sense to try to shift generation at the same time as reserves are being activated in order to end the reserve pickup with sufficient spin. Not only will this hinder the response to the pickup by transferring the response to non spinning units, that may or may not start in a timely fashion thus degrading reliability, it will result in many occasions where the pickup could have been made with currently running, less expensive resources alone. This will result in the dispatch of non-spinning 10 minute reserve (GTs) in order to keep the spinning reserve in place and will have the unintended consequence of running the GT's for their minimum run time of an hour, accumulating uplift, when they actually weren't needed at all. It will also result in higher than necessary energy prices.

   2. As a general rule, you should never design operations to come up with the right price. Pricing should be designed to come up with a reasonable value, given the operations that have occurred. I do not dispute that the energy dispatched during a reserve pickup should have at least as high a value than that dispatched immediately before the pickup, but this should be accomplished by a market rule - such as a floor price equal to the last normal dispatch before the reserve activation, or some other method to insure that the pricing is consistent. Modifying the dispatch to accomplish this defeats the purpose of the reliability criteria that allows for using the spinning reserve, and then re-establishing it in an orderly manner over the next few dispatch intervals.

6. Pricing during a large event RPU where units are not permitted to back down. Pricing is based on being able to back units down, but the basepoint schedules that go out will hold units at their current output or higher. Discuss how best to handle this pricing issue.