

Attachment B - Stakeholder Process

Stakeholder Process to Date

Activity	Date	Number of Stakeholder Representatives <i>(Indicate phone and onsite reps)</i>
Stakeholder Meeting	July 18, 2006	Phone - 48 participants, onsite - 31 participants
Stakeholder Comment Period	Through July 28, 2006	8 sets of written comments received
Stakeholder Meeting	August 17, 2006	Phone - 41 participants, onsite - 17 participants
Stakeholder Comment Period	Through August 31, 2006	1 set of written comments received

Describe the Issue

Stakeholder	Comment	ISO Response
RTO Advisors	<ul style="list-style-type: none"> • Proposed process is cumbersome and time-consuming; • Recommended Approach: <ul style="list-style-type: none"> ○ Stakeholders should rank initiatives – High, Med, Low ○ CAISO aggregates results by participant sector and discuss at a future Stakeholder Meeting; • Comments on proposed CAISO Process <ul style="list-style-type: none"> ○ “Mandate” and “Corrects Design Flaws” are considered must-implement items and should not be considered in the ranking criterion; ○ “Reputation” looks bad; ○ “Addresses Corporate Risk 	<ul style="list-style-type: none"> • Reduced the number of criteria • Recommended Approach: <ul style="list-style-type: none"> ○ Recommendation implemented ○ Recommendation implemented (at August SH meeting) • Comments on proposed CAISO Process <ul style="list-style-type: none"> ○ Recommendation implemented ○ Recommendation implemented

	<p>Inventory" has little meaning for stakeholders;</p> <ul style="list-style-type: none"> ○ "Implementation Costs" and "Ongoing Operating Costs" are key criteria; perhaps there should be more detailed refinement or weightings; ○ "MP Implementation Impact" – not sure whether market participants will be able to assess this before a project is selected. 	<ul style="list-style-type: none"> ○ Recommendation implemented ○ Recommendation Implemented ○ Restructured Criteria to identify "MP Implementation Cost" and "MP Implementation Impact on Systems and Resources"
Barbara Barkovich	<ul style="list-style-type: none"> • Ranking Criteria "in general show little interest in the Market Participant perspective"; • Criteria "do not make clear that if a market design change is mandated by FERC, the ISO must implement it"; • "ISO reputation does not appear from the outside to be a criterion on par with grid reliability or FERC mandates"; • "Among the Feasibility Criteria, complexity for the ISO does not appear to be on a par with some of the other criteria"; • Market Participants should be able to provide input along with ISO subject matter experts on the implications of projects. 	<ul style="list-style-type: none"> • Revised the criteria so that MP perspective is included more definitively • Recommendation implemented • "Reputation" criteria was deleted. • "Complexity" criteria was deleted. • Market Participants have the ability to comment on market initiatives rankings to management and the Board of Governors
WPTF	<ul style="list-style-type: none"> • "It seems unreasonable to have a process that expects to apply quantification and produce quantitative outcomes, such as the one the ISO has proposed"; • Simplify the process; • The goal should be to assess the energy industry and end user costs 	<ul style="list-style-type: none"> • The ranking criteria and the evaluation were revised • Recommendation implemented • Recommendation implemented

	<p>and benefits, not just the costs and benefits to the ISO;</p> <ul style="list-style-type: none"> • Fulfilling a mandate warrants a higher priority and should not be subject to this exercise; • Market Efficiency – Does the new functionality: <ul style="list-style-type: none"> ○ Promote competition or facilitate expanded market/ISO participation? ○ Is the service provided by the new functionality valued through markets? ○ Enhance CAISO transparency? ○ Reduce discriminatory treatment? ○ Promote long-term regulatory certainty? ○ Remedy design flaws? ○ Improve the perception of the viability and stability of the CA markets, market participants and the ISO? • “Will the change resolve a significant reliability risk or will it provide a significant additional level of security in areas viewed as necessary?” • Will the new functionality enhance CAISO transparency? • Cost Impact <ul style="list-style-type: none"> ○ What will be the net effect on GMC? ○ What are the Market Participant one-time and ongoing cost impacts? • Will the new functionality result in significant efficiencies for Market Participants? • Does the change provide enhanced 	<p>implemented</p> <ul style="list-style-type: none"> • Recommendation Implemented • “Improving Market Efficiency” is one of the revised criteria. The additional bullets are considerations within that category. • Incorporated in the “Grid Reliability” criteria. • The Market Initiatives Ranking methodology increase transparency overall. • Cost Impacts are incorporated in many of the Feasibility Criteria • Incorporated in “Improving CAISO Market Efficiency”
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	<p>risk management opportunities for the ISO and/or Market Participants?</p> <ul style="list-style-type: none"> • High Level Ranking – “Any projects that seem to offer substantial benefits relative to costs – often indicated by various market participants’ pleas for consideration by the ISO – should be a candidate for more investigation”. 	<ul style="list-style-type: none"> • Included as part of “Process Improvement” • Recommendation implemented.
Southern California Edison	<ul style="list-style-type: none"> • “CAISO should request stakeholders to rank the final list of market initiatives into three categories: High Priority, Medium Priority and Low Priority. Each category would be required to contain one third of the total number of market issues, to the extent the total number of issues is evenly divisible by three”; • After this ranking is complete the CAISO would aggregate the results and review with stakeholders. Edison advocates a point system with High Priority assigned 5 points, Medium Priority 3 points and Low Priority 1 point. The results would be published and a cost/benefit analysis would be applied to the top issues. “The CAISO should also provide its opinion as to the feasibility and cost of the top issues”. 	<ul style="list-style-type: none"> • The revised ranking process includes an initial high level ranking process • A two step ranking methodology was implemented.
California Municipal Utilities Association (CMUA)	<ul style="list-style-type: none"> • “CMUA members support the CAISO’s efforts to prioritize tasks”; • CAISO’s proposal is overly complex; • “The Ranking Criteria in general show little interest in the Market Participant (“MP”) perspective”; • “Legal Mandates Must Be Highly 	<ul style="list-style-type: none"> • Noted. • The revised proposal has been simplified. • The revised proposal added in addition criteria devoted to Market Participant perspective • The “Mandate” criteria

	<p>Weighted, Outside Policy Preferences Should Not”;</p> <ul style="list-style-type: none"> • “ISO Reputation” and “Expanding ISO Participation” are unnecessary categories; • “Complexity” should be given more weight; • “Market Efficiency is a Tough Criteria on Which to Base Decisions.” 	<p>was removed.</p> <ul style="list-style-type: none"> • Recommendation implemented. • “Complexity” was deleted. • Noted.
<p>Pacific Gas and Electric Company (PG&E)</p>	<ul style="list-style-type: none"> • “PG&E agrees that the proposed criteria provide a reasonable initial basis for prioritization of post-Release One market initiatives”; • It’s not clear why “Process Improvement” and “Addresses Corporate Risk Inventory” are appropriate criteria for prioritization; • Suggest that “the CAISO supplement the criteria to increase the priority of market initiatives when those initiatives are supported by a complete or nearly complete consensus among market participants”; • “Improve Market Efficiency:” should be assigned a weighting of 10. • “Infrastructure Development” should have a lower weighting, in line with “Reliability” and “Market Efficiency”; • “Reputation” should be assigned a weighting of 5; • The process may be overly complex; • “Cost/benefit analyses should be used and justified to the maximum extent possible”; • “The CAISO should post the draft results of its application of the criteria and review those results with 	<ul style="list-style-type: none"> • Noted. • “Addresses Corporate Risk Inventory” was deleted • Added “Desired by Stakeholders” criteria • Recommendation implemented • All three criterion have an equal weighting • “Reputation” was deleted • The process has been simplified • Agreed • It is anticipated that the results will be posted and stakeholder can provide

	<p>stakeholders and allow for feedback on the results. The CAISO should also include a mechanism for updating the initial prioritization of post-Release One market design issues.”</p>	<p>input to management and/or the Board of Governors</p>
<p>Williams Power Company</p>	<ul style="list-style-type: none"> • The goal of implementing a “consistent, rational process to prioritize various modifications to the markets is laudable”; • The CAISO proposal is “unworkably complex”; • The CAISO should adopt a system using five ranking criteria, each criterion with a scale of one to five. The criteria should be: <ul style="list-style-type: none"> ○ Improved Market Efficiency; ○ Improved Market Price Signals; ○ Mitigating risk (for CAISO and market participants); ○ Improved transparency; ○ Improved reliability; • Skeptical of quantifying the benefits of market modification in monetary terms; • The most valuable information is the rationale for the ranking value, not the value itself; • The first cut or “high level” ranking process is inefficient since market participants will not have enough information to make this determination. <ul style="list-style-type: none"> ○ The CAISO should identify a small number of desired projects (up to five) ○ Allow market participants to change their rankings as they learn more about the projects. 	<ul style="list-style-type: none"> • Noted. • The CAISO proposal has been simplified • The ranking process was simplified from the original proposal. Many of these criteria were incorporated. • Noted. • Agreed. • The ranking of market initiatives will be performed by the CAISO. Market Participants will have the ability to comment on the rankings to management and/or the Board of Governors

<p>Northern California Power Agency (NCPA)</p>	<ul style="list-style-type: none"> • A standard set of benefit and feasibility criteria will “help improve transparency within the CAISO decision making process”; • Criteria appear to be more qualitative rather than quantitative • “Improving Market Efficiency” and “Reputation” are difficult to evaluation using a cost/benefit analysis; • Criteria appear to be CAISO focused rather than market participant focused; • Multiple criteria focus on CAISO strategic goals rather than benefits that could be realized by the market, e.g. “Reputation”, “Expanding ISO Participation”. • “Corrects Design Flaws” is subjective; it may be in the eye of the beholder; • “Grid Reliability”, “Promote Infrastructure Development”, “Market Implementation Cost” and “Mandate” seem to be more relevant to market participants; • “The criteria fail to recognize the impact on individual market participants”; • “The criteria my discount the importance of certain issues that are imperative to smaller market participants”; • “Criteria that directly reflect the costs and benefits that may be incurred by market participants should be given the highest weight”; • Mandated FERC orders should be treated separately from other issues; 	<ul style="list-style-type: none"> • Agreed. • Noted. • Noted. • The revised proposal added in addition criteria devoted to Market Participant perspective • “Reputation” and “Expanding ISO Participation” criteria have been eliminated. • “Corrects Design Flaws” criteria has been deleted. • Noted. • The revised proposal added in addition criteria devoted to Market Participant perspective • Noted. • Noted. • The “Mandate” criterion was deleted.
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	<ul style="list-style-type: none"> • A clearly defined process would be beneficial by providing transparency to the market, but the process should be fully developed to remove the ambiguity associated with qualitative measures; • The CAISO should be market participants the ability to provide feedback. 	<ul style="list-style-type: none"> • Agreed. • Market Participants will have the ability to provide feedback to management and/or the Board of Governors.
<p>California Department of Water Resources, State Water Project (SWP)</p>	<ul style="list-style-type: none"> • Objects to having “Desired by Stakeholders” criteria with equal weighting as “Grid Reliability”, “Improving CAISO Market Efficiency” and “Efficient Infrastructure Development”. It should have a weighting of 5. • “Process Improvement” criteria should also be considered to remedy undue burden to Scheduling Coordinators. • “Desired by Stakeholders” criteria should be replaced by “Promote Efficient Infrastructure Development” in the High Level Prioritization Criteria 	<ul style="list-style-type: none"> • Noted. • Noted. • Noted.