Stakeholder Comments on Market Issues
2006 Annual Report on Market Issues and Performance

Summary of stakeholder comments on proposed Market Issues to be addressed in the 2006 Annual Report on Market Issues and Performance. Report is available on the CAISO website at www.caiso.com.

Category	Comment	ISO Response
Real Time Energy	1. Address price issues from July 24th. Specifically, how did CAISO dispatchers' decisions concerning "biasing" real-time energy into expected peak load hours contribute to the anomalous prices on July 24? What is the range of dispatchers' discretion in anticipating real-time energy needs? How has discretionary management of real-time energy supplies affected real-time prices at other times? How might recent prices (since Phase 1b was implemented) affect participation and volume in the real-time market?	Due to limitations on the data available to adequately track operator input in the pre-dispatch bias, DMM was able to perform only a limited assessment. However, a discussion on the pre-dispatch quantities is included in the section on the heat wave (2.3.2), which does shed light on the impact that bias had on the disparity between spot and real time prices during this period.
	2. What is the perception of market participants concerning the validity of CAISO real-time prices? Is this perception acceptable to the CAISO? If not, are any changes advisable in the time before MRTU is implemented, especially in preparation for summer 2007 operations? Is the CAISO confident that MRTU will improve the validity of real-time prices? If so, why?	Stakeholders have expressed concern regarding the validity of real-time prices due to high volatility in the real-time market prices and observed divergences between forward spot prices and CAISO real-time prices during the spring and summer months, and in particular during the heat wave. Both of these issues have been discussed in Sections 3.4.1 and 2.3.2 respectively.
	3. The causes of depressed real-time prices, specifically those observed during the all-time record peak set on July 24, 2006.	Divergences between forward spot prices and CAISO real-time prices during the heat wave were addressed in Section 2.3.2.
	4. Section 3.3.4 (page 3-8) of the 2005 Annual Report discusses bidding behavior but should also include information on how often the price hits the cap in each month in 2006.	This comment was addressed in Section 3.2.2.

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	5. Section 3 (page 3-1) should devote discussion on how much imbalance energy was purchased in 2006, broken out by the following categories: months, peak/off peak, volume, cost.	This comment was addressed in Section 3.2.1.
	6. The implications of CAISO policies and practices that discriminate between in-state generation and imports, such as not allowing imports to set the market clearing price and ramping flexible in-state generation to manage block-hour interchange ramps in RTMA with unclear pricing effects at the time of dispatch (e.g., "TBD" instructions).	This comment was addressed in Section 3.4.4.

Ancillary Service Markets	1. Section 4 (page 4-1) of the 2005 Annual Report discusses Ancillary Services Market. It would be helpful to know how much A/S was self-provided and how much is from the CAISO market by A/S zones in 2005 (if possible) and 2006.
	  • A/S Costs broken down by months
	  • Cost of self provided A/S to load
		This comment was addressed in Section 4.5.1.

Reliability Reserves	1. The effects of the CAISO using non-RA FERC-MOO resources to meet reliability requirements, both on RA contracting incentives and practices and on real-time energy and ancillary service prices.	This comment was addressed in Section 1.2.4 on RCST and Section 2.3.2 on market performance during the July heat wave.
	2. Whether the CAISO is reflecting all of its "reserve" requirements (reserves in this case being not only contingency reserves but unloaded capacity the CAISO relies on to meet other reliability requirements, such as being able to respond to Path 26 overloads) in its Ancillary Services procurement practices and, if not, the effects thereof.	This comment was addressed in Section 1.2.3.
	3. In general, whether the CAISO is reflecting all of its reliability requirements in its markets or the RA requirements that it specifies (e.g., local capacity requirements but not zonal capacity requirements) and the market implications of meeting reliability requirements through extra-market mechanisms.	This comment was addressed in Section 1.2.3.

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	4. An assessment of LSE compliance with RA provisions for 2006, and, if shortcomings in current RA practices exist, an identification of issues that must be incorporated into California RA programs to ensure the CAISO can comply with applicable reliability standards.	This comment was addressed in Section 1.2.2.
	5. The 2005 report generally covers Resource Adequacy (RA) issues. We assume this section will be updated. We suggest the following developments should be covered in the update: • System RA operation during 2006 • Adopted 2006 local RA program • CAISO use of FERC MOO/RCST in 2005 and 2006 (includes volume/cost) • CAISO use of RMR in 2005 and 2006 (includes volume/cost)	These comments were addressed in Chapter 1 and Chapter 6.
	6. With system Resource Adequacy and Local Area Reliability requirements now in place, we hope that DMM will consider eliminating sentences such as the one on page 1-15, last sentence: "Nevertheless, for 2006 and beyond, there still exists a potential revenue adequacy issue that may impact the availability of resources in the CAISO control area."	This comment was addressed in Section 1.2.2 and Section 2.6.
	7. Capacity market design to be considered by the CPUC in 2007.	This comment was addressed in Section 7.1.2.
General Market Conditions / Generation	1. We would like to see the new generation and retirements for 2006 broken down by reliability zones.	This request is beyond the scope of this report.
	2. Data on new generation and old retirements outside the CAISO control area.	This request is beyond the scope of this report.
	3. In section 1 include a table on Average Annual Imports by months in 2006.	This comment was addressed in Section 2.2.2.
	4. Page ES-7 in the 2005 Annual Report discusses load statistics from 2001 to 2005. For 2006 it is helpful to have a load growth breakdown by the Investor Owned Utility areas.	This request is beyond the scope of this report.
	5. The effects of load scheduling practices on CAISO markets and the effectiveness of A-72 provisions in counteracting load under-scheduling.	This comment was addressed in Section 3.3.

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	6. The level of CAISO bid caps relative to other markets and implications for market performance and incentives.	This comment was addressed in Section 2.7.1.
	7. A report on new generation brought on-line in 2006 or currently under construction or planned, and an assessment of whether the current market and resource adequacy structures are sufficient to encourage new investment, or, if not, what the CAISO believes needs to be done to encourage sufficient new investment.	This comment was addressed in Sections 1.3 and 2.6.
General Market Conditions / Load	1. The cause of the 2006 record peak loads (weather anomaly or sign of unanticipated demand growth?) and the implications for 2007 and beyond.	A full assessment of the causes of the 2006 record peaks is beyond the scope of this report.
Transmission System	1. Section 1.4 (page 1-8) of the 2005 Annual Report discusses Transmission System Enhancements and Operational Changes. It would be helpful to have a table on Transmission Access Charge by each of CAISO Participating Transmission Owner area and by historic period from 2001 to present.	This request is beyond the scope of this report.
MRTU	1. A section devoted to the development and anticipated development in the MRTU readiness process.	This request is beyond the scope of this report.
General	1. Make all the market participant comments public on the CAISO website.	Stakeholder comments are contained herein.
	2. It would be helpful to have a subject index at the end.	This is beyond the scope of this report.