

J.P. Morgan Comments on CAISO Draft Final Proposal on Data Release & Accessibility *Phase 1: Transmission Constraints*

Submitted by	Company	Date Submitted
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General Comments

J.P. Morgan Ventures Energy Corporation and BE CA, LLC (collectively, "J.P. Morgan") appreciates this opportunity to provide comments on the California ISO's (CAISO's) January 6, 2010, Draft Final Proposal entitled Data Release & Accessibility *Phase 1: Transmission Constraints* ("Draft Final Proposal").

The CAISO's proposal is an important incremental toward ensuring market and operational transparency and thus facilitating a better performing market. Greater transparency into the CAISO operational practices and market administration will improve the short-term performance of the market and will thus help facilitate good investment decisions in the system. In J.P. Morgan's earlier comments J.P. Morgan articulated a seven-point information release policy and recommended that the CAISO codify that policy in the CAISO Tariff. J.P. Morgan continues to recommend that the CAISO codify its information policy in its tariff. J.P. Morgan largely supports the CAISO's proposal and looks forward to working with the CAISO and stakeholders in future phases of this effort.

Comments on Draft Final Proposal

The CAISO's Draft Final Proposal outlines certain commitments regarding the release of information. J.P. Morgan generally supports the CAISO's proposal and offers the following specific comments.

CAISO Proposal Regarding Daily Constraint and Contingency Lists:

As stated in the Draft Final Proposal:

The ISO proposes to release three new data elements consisting of: (1) Daily Constraint and Contingency List, (2) Binding Constraint Cause Data, and (3) a Conforming Constraint Report. For the first of these new data elements, the ISO proposes to release two constraint lists that would be published daily for information associated with the day-ahead market: the Post-Market Constraints List and the Pre-Market Constraints List. These lists will identify and

include definitions for all constraints, including contingencies and nomograms and identification if the constraint is enforced in the ISO day-ahead market.¹

The CAISO continues:

The ISO proposes to provide a periodic Conforming Constraint Report that would be issued on a monthly basis. This report would be similar to the biased flowgate information provided in the DMM Q3 2009 Report. The Conforming Constraint Report would provide information on activity for both the day-ahead and real-time markets. The focus of the DMM report was on RTM activity. However, the ISO proposes to show adjustments in the day-ahead market, although there are relatively few conforming constraint adjustments in the day-ahead market...The Conforming Constraint Report will list all flowgates that had the limit adjusted in respective DAM and RTM runs, along with the percentage of hours that each flowgates' limit was adjusted, and other related statistics (i.e., average, minimum, and maximum percent of actual limit adjustment).²

J.P. Morgan Comments

J.P. Morgan supports the CAISO's proposal to provide a Daily Constraint and Contingency List, Binding Constraint Cause Data, and a Conforming Constraint Report. J.P. Morgan appreciates the CAISO's responsiveness to stakeholder suggestions that this information be provided on both a pre and post market basis and that summary reports be provided on a regular basis. J.P. Morgan generally supports the formats and information proposed by the CAISO.

However, J.P. Morgan requests clarification on one matter and reconsideration on another. First, J.P. Morgan requests clarification as to whether the CAISO will provide hourly shadow price information on binding constraints, as proposed by Southern California Edison ("SCE") in Table 1 to the Draft Final Proposal.³ J.P. Morgan supports provision of this information. While J.P. Morgan understands that the CAISO already provides shadow price information on its OASIS, J.P. Morgan believes it would be helpful to receive such information in the manner and format suggested by SCE.

Second, J.P. Morgan recommends that the CAISO provide, and include in its proposed reports, specific limit information for each identified constraint. Such information will better enable market participants to predict and understand market results. Based on the discussions at the December 10, 2009, stakeholder meeting, J.P. Morgan understood that the CAISO's Department of Market Monitoring ("DMM") did not oppose the release of such information. As

¹ Draft Final Proposal at p.6.

² Id. at p. 8.

³ Id.

understood by J.P. Morgan, DMM's only concern was that the CAISO put in place procedures or mechanisms to ensure that, should CAISO operators modify or develop and impose a new constraint (perhaps in response to the planned for forced outage of a facility), the CAISO's Local Market Power Mitigation ("LMPM") procedures would apply to the applicable constraint. In other words, DMM did not appear to be concerned about the release of limit information and the potential exercise of market power so long as the CAISO's LMPM measures were in place and effective on that constraint. Based on that understanding, J.P. Morgan recommends that the CAISO provide limit information. If the CAISO decides not to provide limit information, J.P. Morgan requests that the CAISO provide a thorough explanation as to why it cannot or will not provide that information. As discussed on the January 14, 2010, stakeholder conference call, while J.P. Morgan appreciates the CAISO's willingness to discuss the matter in future phases of this effort, limit information is a necessary and critical element of the CAISO's data release and transparency efforts and its provision should not be delayed.

Conclusion

J.P. Morgan believes that the continued success and viability of CAISO's new market is dependent upon the CAISO facilitating and supporting a fully transparent market. Such transparency is necessary so that market participants can understand, build confidence in, be informed by, market results. Understandable and predictable market outcomes support prudent risk management and good operating and investment decisions. J.P. Morgan therefore supports the CAISO's larger data release and transparency efforts and the primary elements of the Draft Final Proposal. J.P. Morgan requests that the CAISO consider these comments and make the limited but important changes to its proposal discussed above. Finally, J.P. Morgan recommends that the CAISO codify its obligation to provide the information included in its proposal in the CAISO Tariff.

J.P. Morgan appreciates the opportunity to provide these comments and thanks the CAISO for committing to this effort and thoughtfully responding to stakeholder comments.