Stakeholder Comments

2013 Stakeholder Initiatives Catalog, January 28, 2014 Revision

Submitted by	Company	Date Submitted
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Southern California Edison (SCE) appreciates the opportunity to comment on the California Independent System Operator (CAISO), January 28, 2014 Revision of the 2013 Stakeholder Initiatives Catalog[1]. SCE generally supports the CAISO's proposed changes, with some exceptions, and thanks the CAISO for engaging stakeholders in the development of this catalog. The following are detailed comments on certain aspects of the proposed catalog.

Protection against unreasonable uplifts should be a prerequisite to any market design changes

SCE, Pacific Gas and Electric (PG&E), San Diego Gas and Electric (SDG&E), City of Anaheim, Six Cities, and the California Public Utilities Commission (CPUC), have requested the CAISO to revisit the methodology to allocate uplifts associated with virtual bidding. The organizations serving retail customers (of almost the entire state) and a regulator of retail rates (CPUC) are unanimous that the current unfair allocation of costs related to bets against the CAISO needs to change, yet the CAISO has chosen not to address this issue. SCE expects the CAISO to be indefinitely refining its model through fixing problems or proposing enhancements and as part of continuous improvement. The policy that Load should not fund Virtual Bets against CAISO will continue to be an issue as long as the CAISO supports Virtual Bids. This issue should be addressed now.

The CAISO suggestions of its proposals on Order 764, Full Network Modeling (FNM), and the "incremental improvements", as reasons for not addressing price spikes and uplifts, are unsatisfactory. Stakeholders, such as SCE and Powerex, have expressed concerns with specifics on the CAISO's 764 implementation proposals and cited potential sources of uplift in comments at the Federal Energy Regulatory Commission (FERC) in Docket ER14-480. Further, the ability of the CAISO to accurately model in FNM has been questioned by four out of six total commenters, including the CAISO's own Department of Market Monitoring (DMM), Bonneville Power Administration (BPA), Powerex, and

[1] http://www.caiso.com/Documents/Draft2013StakeholderInitiativesCatalogRevisedJan28_2014.pdf

SCE[2], in the CAISO's stakeholder process. Even if the FNM project is implemented, there is no guarantee that it will reduce the current $100+ million in annual uplift. In fact, it is quite possible uplifts may increase if an imperfect understanding of loop flow is used in the model[3]. Even if the loop flow issue is resolved, Virtual Bidders will continue to seek new opportunities to make bets against the CAISO model and profit through uplift to Load. The issue of uplifts will be an ongoing problem that must be resolved. Market design changes and protection of Load from uplifts are not mutually exclusive, and there is no reason why the CAISO cannot pursue revisiting the uplift methodology. Before any further design changes are proposed, the CAISO should implement relevant and reasonable protections for ratepayers.

The FERC has also noted that cost allocation problem be resolved. As SCE quoted in prior comments[4], the FERC details, "The Commission encourages CAISO to pursue its evaluation [of proper uplift allocation] vigorously and to propose solutions to the observed difficulties promptly when they become evident."[5] Therefore, this item should be label "FERC mandated" or at minimum "non-discretionary" and be prioritized for action in 2014.

The CAISO has not delivered on its commitment to its Board of Governors (BOG) on beginning a review of cost allocation – Cost Allocation Overall Market Review (17.1) should not be deleted before the CAISO has even begun the process

The CAISO committed to the BOG that cost allocation would be addressed by end of 2012, "Later in 2012, the ISO will start a stakeholder initiative to conduct an overall review of the allocation of ISO market costs to ensure they are consistent with the cost allocation guiding principles."[6]

Such a process never materialized. Instead, over a year later, the CAISO proposes to delete Cost Allocation Overall Market Review from the Catalog[7], claiming that the cost allocation methodology was addressed as part of Order 764 and that the CAISO intends to apply cost allocation to future initiatives. Cost allocation was not addressed in CAISO's FERC Order 764 proposal. The CAISO's action of

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[2] http://www.caiso.com/Documents/Full%20network%20model%20expansion/Full%20network%20model%20expansion%20-%20papers%20and%20proposals/Stakeholder%20comments/Comments%20on%20draft%20final%20proposal

[3] In its comments, the DMM cautions the CAISO to better understand loop flow, stating, "DMM has reviewed unscheduled flow in the ISO and has found that there is considerable variability within a day and from day to day."… "DMM recommends the ISO perform an analysis of unscheduled flow to better understand its persistence, variability, and the circumstances under which it arises." Page 3: http://www.caiso.com/Documents/DMMComments-FullNetworkModelExpansion_DraftFinalProposal.pdf

[4] http://www.caiso.com/Documents/SCE-CommentsDraft2013Catalog-Oct4_2013.pdf

[5] Paragraph 28, ORDER ON TARIFF REVISIONS, May 9, 2013, ER13-1060-000, http://www.ferc.gov/EventCalendar/Files/20130509152959-ER13-1060-000.pdf.

[6] Page 2. http://www.caiso.com/Documents/BriefingCostAllocationGuidingPrinciples-Memo-May2012.pdf

[7] Page 71. http://www.caiso.com/Documents/Draft2013StakeholderInitiativesCatalogRevisedJan28_2014.pdf

proposing the deletion of this item from the catalog is inconsistent with fulfilling its commitment to its BOG.

Contingency Modeling Enhancements (Section 7.3) should be "discretionary"

As stated in SCE's prior comments[8], the FERC has not mandated that the CAISO conduct this initiative. As with FNM, the CAISO has failed to provide adequate support for such an undertaking. While the FERC has expressed concern over Exceptional Dispatches ("EDs"), the FERC did not mandate that the CAISO address EDs in the manner provided in the Contingency Modeling Enhancements (CME) initiative. To accurately represent the status of this initiative, the CAISO should label this as "discretionary".

Marginal Loss Surplus Allocation Alternative Approaches (Section 6.3) should be deleted

The CAISO should eliminate its Marginal Loss Surplus Allocation Alternative Approaches initiative because the FERC has explicitly denied the CAISO's attempts to explore alternative approaches to MLS allocation: "Thus, we continue to find the CAISO's proposed method of allocating over-collection to be just and reasonable and deny this rehearing request. Accordingly, we reject all requests for rehearing of the over-collection allocation methodology."[9]

Transmission Interconnection Process (Section 14.5)

This initiative is of medium-to-high priority relative to other topics in the catalog. With disparate tariffs for the interconnection of transmission, along with the anticipated increased number of transmission interconnection requests given the implementation of FERC Order 1000, it is becoming increasingly difficult to properly sequence the interconnection studies for generator and transmission interconnection requests. The CAISO should seriously consider a means to better harmonize the interconnection requests for both transmission and generation.

SCE requests the CAISO provide information on penalties for violating intrastate gas pipeline operational flow orders

In the August 30, 2013 tariff amendment, the CAISO had stated,

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[8] http://www.caiso.com/Documents/SCE-CommentsDraft2013Catalog-Oct4_2013.pdf

[9] Paragraph 44, ORDER GRANTING IN PART AND DENYING IN PART REQUESTS FOR CLARIFICATION AND REHEARING, April 20, 2007, ER06-615-001.

"The ISO anticipates that it will be able to file tariff revisions to permit recovery of gas pipeline penalty costs and emissions costs in time for them to be implemented in the ISO's spring 2014 release."[10]
Further, the CAISO stated,
"The ISO will expand its review of intra-state and inter-state pipeline tariffs and engage with stakeholders prior to finalizing the tariff provisions related to natural gas pipeline penalties."[11]

SCE requests that the CAISO elaborate on the status of these efforts. If work on this is not imminent, then the process should be added to the catalog.

[10] Page 5. http://www.caiso.com/Documents/Aug30_2013TariffAmendment-CommitmentCostsER13-2296-000.pdf

[11] http://www.caiso.com/Documents/CommitmentCostsRefinement-Implementation-GasPipelinePenaltyRecoveryDelayedAug28_2013.htm