2013 CAISO Stakeholder Initiatives Catalog
Comments on Clarifications, Additions, and Deletions

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Southern California Edison ("SCE") offers the following comments on the California Independent System Operator's ("CAISO") October 3, 2013 Stakeholder Initiatives Catalog ("Catalog"). SCE suggests the following clarifications, additions, and deletions to the CAISO's 2013 Catalog.

I. Clarifications

The CAISO should clarify that the Real-Time Congestion Uplift Cost Allocation initiative is a Federal Energy Regulatory Commission ("FERC") mandated initiative and that the Contingency Modeling Enhancements initiative is not a FERC mandated initiative, but rather a discretionary initiative.

a. Real-Time Congestion Uplift Cost Allocation (Section 7.3) should be "FERC mandated"

The CAISO should list the Real-Time Congestion Uplift Cost Allocation initiative as "FERC mandated" rather than "discretionary" because the FERC has offered clear direction to the CAISO to address the outstanding issues surrounding convergence bidding. In its May 9 Order, the FERC wrote, "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."[1]

As part of its EIM Stakeholder Process, the CAISO created a solution that addresses many of the issues with convergence bidding by assigning the real-time congestion uplift caused by convergence bidders back to the convergence bidders.[2] Parallel to the FERC's guidance noted above, SCE asks the CAISO to apply this proposed solution for EIM convergence bidding universally to convergence bidding throughout the CAISO markets. This "Real-Time Congestion Uplift Cost Allocation" stakeholder process should commence as soon as practical.

b. Contingency Modeling Enhancements (Section 3.2) should be "discretionary"

The CAISO's Catalog describes the Contingency Modeling Enhancements initiative as "non-discretionary," yet the FERC has not mandated that the CAISO take on this initiative. 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 initiative. Accordingly, SCE suggests that the CAISO re-categorize Contingency Modeling Enhancements as "discretionary" and evaluate if the approach taken

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

[2] Section 3.7.8.2, Energy Imbalance Market Draft Final Proposal, September 23, 2013, at 68-70, http://www.caiso.com/Documents/EnergyImbalanceMarket-DraftFinalProposal092313.pdf.

in Contingency Modeling Enhancements is the best way to address the FERC's dire0ction to reduce EDs.

II. Additions

The CAISO should list two additional initiatives in its Catalog – one new initiative to address the issue of "'Many for Many' SCP Enhancements" and one to establish that the CAISO is already undertaking the Competitive Transmission Improvements initiative.

a. A "'Many for Many' SCP Enhancements" initiative should be added

While the CAISO lists "SCP Enhancements" (Section 8.4) as an initiative in its Catalog, there is one component of SCP Enhancements not mentioned, which is important enough to receive distinct attention. The issue of "Many for Many" Resource Adequacy substitution[3] is a substantial inefficiency that the CAISO can and should address immediately. The RAAM tool's software limitation is not a sufficient rationale for maintaining a process that results in more costly Resource Adequacy compliance without providing any reliability or other benefits. SCE appreciates that the CAISO has acknowledged this issue and stated in meetings that it plans to address the issue. Still, the CAISO should list this important initiative in its Catalog and plan to address it as soon as possible so the CAISO can provide material market efficiency benefits at a negligible cost.

b. The Competitive Transmission Improvements initiative should be added

Currently, the CAISO is working on an initiative called "Competitive Transmission Improvements,"[4] which addresses a number of outstanding issues that came about as a result of FERC Order 1000 compliance. The CAISO should list this initiative in its Catalog as an "in progress" initiative, acknowledging that there are still some components of FERC Order 1000 implementation that the CAISO should resolve.

III. Deletions

SCE suggests that the CAISO delete fourteen initiatives from its Catalog.

a. Marginal Loss Surplus Allocation Alternative Approaches (Section 2.3) 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

[3] The "one-to-many" and "many-to-many" substitution capability in CAISO's current RAAM tool (and in the future the new OMS system) does not exist and has not existed since the implementation of the RAAM tool on January 1, 2010. This issue is not a CAISO Tariff limitation but a software limitation within the RAAM tool. With smaller units increasingly procured to provide resource adequacy it is increasingly beneficial have the capability to use larger resources to substitute for multiple smaller resources and vice versa. For example, today it is not possible to use one 400MW unit to substitute for two 50 MW resources. The 400 MW unit could only substitute for one of the 50 MW resources, leaving 350 MW of capacity paid for but unavailable for use as RA.

[4] See the CAISO stakeholder processes website, http://www.caiso.com/informed/Pages/StakeholderProcesses/CompetitiveTransmissionImprovements.aspx.

request. Accordingly, we reject all requests for rehearing of the over-collection allocation methodology."[5]

b. Extended Pricing Mechanism (Section 3.7) should be deleted

The CAISO is already undertaking initiatives that will provide additional payments outside of the energy LMP. These initiatives such as Energy Imbalance Market, Contingency Modeling Enhancements, Flexible Ramping Product, and Flexible Resource Adequacy, amongst others are already adding significant complexity to the market. Additionally, no one has provided a sufficient justification for altering the core LMP structure. For all of the aforementioned reasons, the CAISO should delete the Extended Pricing Mechanism initiative.

c. Regional Flexible Ramping Product (Section 3.11) should be deleted

Given the interrelatedness of a regional Flexible Ramping Product ("FRP") initiative with the larger FRP initiative (Section 3.8), the CAISO should examine any effort to establish regional FRP within the broader FRP initiative itself.

d. A number of proposed initiatives should be deleted because they are of very low priority or are unnecessary

Given that there are more initiatives in the Catalog then the CAISO can reasonably address, the CAISO should remove initiatives that have minimal or no efficiency or reliability benefits. Accordingly, SCE suggests that the CAISO delete the following initiatives from its Catalog.

- Fractional MW Regulation Awards (Section 5.3)
- Frequency/Inertia Procurement (Section 5.4)
- Voltage Support Procurement (Section 5.5)
- Flexible Term Lengths of Long Term CRRs (Section 6.2)
- Insufficient CRR Hedging (Section 6.3)
- Long Term CRR Auction (Section 6.4)
- Multi-Period Optimization Algorithm for Long Term CRRs (Section 6.5)
- Allowing Convergence Bidding at CRR Sub-LAPs (Section 7.1)
- Seasonal Local RA Requirements (Section 8.3)
- Voluntary Demand Response Auction (Section 8.7)
- Make Whole Process for Wheel-Through Transactions (Section 9.2)

As always, SCE appreciates that the CAISO holds stakeholder processes and allows stakeholders the opportunity to provide feedback on the CAISO's initiatives.

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