

Stakeholder Comments Template

CASIO Straw Proposal: Ex-Post Price Correction Make-Whole Payments for Accepted Demand Bids - Issued December 16, 2009

Submitted By (Name & phone number)	Company or Entity	Date Submitted
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Southern California Edison Company (“SCE”) would like to thank the California Independent System Operator Corp. (“CAISO”) for providing the opportunity to submit comments on the “Straw Proposal for Ex-Post Price Correction Make-Whole Payments” (“Straw Proposal”), dated December 16, 2009.

1. What is your entity’s view on the make-whole payment calculation methodology?

SCE is supportive of the CAISO revised methodology of considering the area between the demand bid curve and the corrected LMP price when determining the make-whole payment for a given hour. Taking into consideration each bid segment rather than relying on the last cleared bid provides a more accurate reflection of the “losses” incurred when prices are corrected above a portion of a market participants bid curve.

SCE continues to believe that “consumer surplus” should be considered when make-whole payments are required and used to offset the total payment made to market participants. That being said, SCE views the calculation methodology being proposed as a workable solution and at this point does not oppose the CAISO moving forward with the methodology described in the straw proposal.

2. What is your entity’s view on the proposed make-whole payment approach for virtual bids?

SCE does not oppose the CAISO applying the make-whole payment approach described in the straw proposal to virtual bids that are determined to be uneconomic, in whole or in part, due to an ex-post price correction.

SCE requests the CAISO provide clarification in the draft final proposal that ex-post price correction make-whole payments are limited to day-ahead price corrections and would not apply to price corrections that occur in HASP or real-time.

3. What is your entity's view on the proposed make-whole payment settlement?

SCE requests the CAISO provide in its draft final proposal more detail on the settlement mechanics of how the CAISO plans to modify the LMP price to reflect the make-whole payment settlement. In particular, it is unclear if the CAISO is planning on creating a new billing determinant for the adjusted LMP price or is planning on modifying the price within the settlement system itself. If the later, SCE is concerned that it will be unable to validate market settlements due to the disconnected between the published LMP price and the price used for final market settlement.

Based on the analysis provided in section 3 of the straw proposal SCE does not oppose the proposed methodology for allocating make-whole payment costs to market participants. However, if the monetary impact of make-whole payments increase significantly over time (e.g. with the introduction of virtual bidding), SCE requests the CAISO commit to conducting a stakeholder process to develop an allocation methodology which better reflects cost causation.

4. Other Comments?

No further comments at this time.