

SMUD Comments Regarding
CAISO Straw Proposal for Ancillary Services Procurement in HASP and Dispatch Logic
Dated August 5, 2009

1. SMUD supports the CAISO effort to procure Ancillary Services in HASP
2. SMUD supports the CAISO proposal to make binding all non-dynamic HASP Ancillary Service awards.
3. SMUD supports the CAISO proposal to dispatch HASP Ancillary Service awards only under contingencies and only once during an hour (as opposed to a five minute dispatch which can vary in each 5 minute interval).
4. However, SMUD is concerned about market implementation, potentially to the point where we may not be able to participate in the proposed HASP Ancillary Services Market. From the CAISO's August 5th Straw Proposal and the August 12th Stakeholder Conference Call, it was not clear how the CAISO would treat energy bids associated with un-awarded ancillary services capacity bids. SMUD's understanding of the proposed bidding process is that, due to market timing constraints, an associated energy bid must be submitted at the same time as an ancillary service capacity bid. SMUD's concern is that, in the very likely event that a capacity bid is not awarded, the associated energy bid will still be active for dispatch in the real time five minute energy market. Experience has shown that five minute dispatch at intertie points is not viable. Thus the CAISO's neighboring BA's have not historically allowed this type of transaction. If this issue is not adequately addressed, SMUD will most likely not be able to participate in the proposed HASP Ancillary Services Market.