

**COMMENTS OF THE
ALLIANCE FOR RETAIL ENERGY MARKETS
ON THE CAISO's JANUARY 26, 2011 REVISED STRAW PROPOSAL
ON NEW SCHEDULING PRIORITY CLASS AND
REVISIONS TO MUST-TAKE GENERATION**

On January 26, 2011, the California Independent System Operator (CAISO) issued a revised straw proposal regarding the creation of a new preferential scheduling priority class for “regulatory must-run pump loads” and a new preferential class for certain industrial facilities that will have their rights associated with the Public Utility Regulatory Policy Act of 1978 (PURPA) expire as a result of a recently approved settlement at the California Public Utilities Commission (CPUC).¹ On January 11, 2011, the Alliance for Retail Energy Markets (AReM)² commented extensively on the CAISO’s December 26, 2010 straw proposal and will not repeat its issues here. While the January 26th revised version provides some limited clarifications, the fundamental provisions proposed by the CAISO remain. In short, none of AReM’s comments of significant concern were addressed in the January 26th revised version. AReM continues to believe that the CAISO’s proposed tariff modifications will create unwarranted preferences for the affected resources and, as a result, are discriminatory and in violation of the principles of open and non-discriminatory access to the CAISO’s transmission system.

AReM was particularly disappointed that CAISO staff was unable to answer AReM’s questions during its February 2, 2011 conference call. In particular, the CAISO could only provide vague generalities when asked to explain its rationale for creating the new priority. The CAISO was also unable to describe how these new priority classes would be implemented, implying that there are many technical details to be worked out after the CAISO Board approves the “principles” outlined in the straw proposal. For

¹ Decision 10-12-035.

² AReM is a California non-profit mutual benefit corporation formed by electric service providers that are active in the California’s direct access market. This filing represents the position of AReM, but not necessarily that of a particular member or any affiliates of its members with respect to the issues addressed herein.

example, the CAISO Staff stated that they did not know to what extent, if at all, a pump load could be bid as interruptible load and still require “priority scheduling rights.”

In summary, the CAISO failed to make any significant improvements to its December 26th straw proposal. The proposed policy signals out certain market participants for preferential treatment, thereby discriminating against other market participants and impairing market efficiencies. AReM urges the CAISO to abandon this proposal.

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On Behalf of the Alliance for Retail Energy Markets

February 10, 2011