ATTACHMENT B:

Major Changes Since The May 1, 2002 Filing

Design Features	Change	Continuing Effort
1) Load Aggregation	• Three IOU-based aggregation zones (PG&E, SCE, SDG&E) • Under LMP, load associated with ETC schedules must correspond to ETC contractual points of supply and delivery (regardless of the choice of the proposed ETC scheduling timeline and priority, or transmission reservation in the forward markets) • Real-time demand response can earn locational price	
2) Scheduling Priorities and Self Scheduling	• IFM gives higher priority to self schedules in clearing energy market and managing congestion over bid supply and demand; self schedules of different types (e.g., plain self schedules, RMR self schedules, self schedules submitted with CRRs, and those submitted with ETCs) may have different relative priorities; relative priorities may be different in the day-ahead, hour-ahead, and real-time markets; relative priorities may be different for the supply and demand self schedules. [See paragraphs 33 and 34 of the Amended Comprehensive Market Design Proposal.] • No "balanced preferred schedule" requirements for individual SCs (except when submitting ETC, CRR or wheeling schedules) • No requirement for the congestion management and market clearing processes to keep final schedules balanced for the initially balanced preferred schedules, except for ETC schedules. • Self schedules are price takers with price established by economic bids (see next bullet for refinement) • When a self schedule is adjusted to match supply and demand or to manage congestion, the price at its location is established by prevailing bid cap (for load curtailment) or floor (for generation curtailment).	
3) Congestion Revenue Rights	• Scheduling priority on demand side of (initially balanced preferred) schedule only; no supply-side scheduling	After Conceptual filing, but prior to Tariff filing:

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	priority, and no “CRR market separation” • Rolling two-year CRRs plus monthly CRRs • CRR payments include only the congestion component of the LMP (no payment or liability to the CRR holder for the marginal loss component of the LMP) • Provision for peak and off-peak CRRs	• Implications of CRR studies for available CRR quantities • Level of coverage of load o ISO proposes to cover 100% of load in 99.5% of hours of the year, with NO netting of “local” generation against load o Consideration of State Contracts • Considering CRR Obligations for non-converted ETCs in conjunction with proposed ETC procedures • Allocation scheme to be developed in conjunction with CPUC, with a view to the scheduling of State Contracts, and with input from stakeholders on ETC scheduling
4) Integration of Market Power Mitigation and Dispatch of Reliability Must Run (RMR) into Integrated Forward Market process	• Pre-processing runs of IFM software determine system and local Market Power Mitigation and RMR needs based on load forecast (replacing RMR pre-dispatch) • Final IFM run uses pre-IFM results (mitigated quantities and bids associated with RMR dispatches and market power mitigation for non-RMR units) as inputs and clears market based on load schedules and bids	
5) Elimination of the Contract and Market Path Options for RMR Dispatches.	• To prevent RMR dispatches from being used to exercise local market power under the Market Path option. This option is being eliminated. RMR owners will be required to bid RMR dispatches into the IFM at the lower of their submitted market bid or RMR contract variable cost. RMR dispatches are eligible to set the MCP and market revenues above bid prices can be retained by the RMR owner.	
6) Procedures for honoring Existing Transmission Contract (ETC) rights	• Day Ahead transmission reserve only for schedules • Post-DA ETC changes accommodated in HA if possible, otherwise fully accommodated in real time • ETCs subject to same ISO charges as other grid users	After Conceptual filing, but prior to Tariff filing: • Work with affected parties to understand mechanics and benefits of

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	• ISO will facilitate charge allocation between ETC holder and PTO or SC, and support PTO cost recovery at FERC • ETC Load receives CRRs	proposed new procedures • Determine effective means for allocating ISO settlement charges between ETC holders and PTOs • Address PTO cost recovery concerns in regulatory arena • Explore other hedging mechanisms (as alternative or complement to CRRs)
7) Hour Ahead Market Time Line	• Return to T-120 minutes closing (original HA timeline) • Provides for re-bid period prior to Real-Time Market	
8) Residual Unit Commitment (RUC) - Availability Payment	• Bid based RUC availability (capacity) payment with a bid cap ($100/MW/hr) • Rescind availability payment if called (for A/S or energy) in subsequent markets, or if engaged in uninstructed deviation beyond tolerance band.	After Conceptual filing, but prior to Tariff filing: • Refine the setting of RUC procurement targets to minimize over-/under-procurement
9) Available Capacity (ACAP)	• No Longer in MD02 Proposal	
10) Bidding Activity Rules	• The section of the energy bid curve associated with a Final Day-Ahead Schedule for Energy cannot be decreased in the Hour-Ahead Market. June 14, 2002 filing indicated it could not be changed. The previous restriction that pushed A/S to the right and limited re-bidding of unselected capacity was not part of the May or June 2002 Filings. It came after.	
11) LMP	• Any over collection due to the marginal loss component of LMP will be allocated to the CRR Balancing Account • Nodal "haircut": All LMPs above the soft cap (currently $250/MWh) will be reduced to the soft cap for settlement purposes (without changing the corresponding schedule or dispatch)	
12) Start up and minimum load costs	• Provision for market-based start up and minimum cost (in addition to cost based option) for internal resources; if market-based option selected, it will be fixed for 6 months with no adjustment for gas prices.	

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	• Voluntary start up and minimum load bids for demand response	
13) Real time A/S	• Must offer A/S in real time (with opportunity cost pricing, and ensuring net of market cost recovery for start up and minimum load)	
14) Metered Subsystems	• Can make annual election to line up and manage own supply to follow load or have ISO line up shortfall in RUC • Will be allocated CRRs	
15) Start-up and minimum load costs	• Suppliers may select between either cost-based or bid-based start-up and minimum load costs	