

**California Department of Water Resources State Water Project
Comments to the CAISO Straw Proposal -
A New Scheduling Priority Class for
Regulatory Must-Run Pump Load in the Integrated Forward Market
and
Modification to the Definition of Regulatory Must-Take Generation**

January 12, 2011

SWP commends the CAISO's proposal which is intended to provide additional clarity toward the CAISO's obligation to ensure energy supply to critical pumping facilities within the CAISO service territory that are essential in providing water services that are vital to the state and the health and welfare of California residents. With water deliveries becoming an increasing issue within California, the CAISO's timely proposal for a new scheduling priority class for Regulatory Must-Run Pump load is believed by SWP to be a step toward addressing and recognizing the critical mission of the SWP water management responsibility. SWP is one of the largest water delivery systems in the world and recent developments have increased the urgency of SWP's need for reliable transmission service for its pumping facilities, when that load is not bid into the CAISO market for reliability services. These recent developments include severe environmental restrictions at SWP's Harvey O. Banks pumps in the San Francisco Bay/Delta region, which serves as the water intake point for California's aqueduct system and, thus, are critically important to SWP's water management mission. SWP offers the following comments and requests a response from the CAISO to provide greater depth to this proposal.

- **Parameter Tuning Value** - The proposal suggests assigning to must-run pump load a parameter tuning value that offers IFM scheduling process protection that prevents curtailment or changes to the pump load schedules. SWP respectfully requests the CAISO to quantify the level of scheduling protection that the proposed parameter value provides under various system load requirements. So that DWR can determine whether SWP pump loads will become less exposed to curtailment or schedule adjustments than LAP loads in IFM and Real Time Markets, SWP would appreciate explanations of the relative protection that would be available to must-run pumping loads.
- **Please clarify if footnote 6 on Page 7** of the Straw Proposal is intended to identify the maximum observed parameter value (1500/MWh) for all hours reviewed since April 1, 2009; also identify the hour (TOU) and month.
- **Impact of Transmission Planning Process** - CAISO asserts that sufficient protection will be provided and curtailments should be very small, based on its historical review. In addition, SWP notes that the CAISO transmission planning process and corresponding PTO processes, including interconnection, appear to be experiencing high volumes of proposed projects. As the FNM topology changes, so will scheduling and pricing runs.

How has the CAISO factored these into its review and assessment, especially with regard to its assumption of transmission constraint limits.

- **Market Price Impact** – As proposed, in an effort to protect must-run pump load schedules, committing a larger amount of generation resources may be necessary. Thus, scheduling protection proposed for must-run pump load in the IFM and HASP may likely inflate the price of energy in both the Day-ahead and Real-time market due to committing generation in these markets to assure protection for must-run pump load. Please validate if this is a likely assertion.
- **Real Time Market Optimization** – As proposed, in an effort to protect must-run pump load schedules, committing a larger amount of generation resources may be necessary. In doing so, a limited amount of dispatchable generation resources in a local area may impede the ability of the CAISO to resolve, using market resources, certain grid condition and thus force the CAISO to initiate operating procedures that call to interrupt pump loads more frequently. SWP would appreciate the CAISO’s perspective on the likely impact that protections for must-run pump load will increase the occurrence of critical system conditions due to lack of dispatchable generation resources.
- **Use of Market Resource Effectiveness value to resolve system contingencies** – SWP understands that the proposal of a new scheduling priority class for must-run pump load will have insignificant impacts toward the application of nodal load effectiveness value, so that nodally scheduled and settled pump loads will remain relatively more vulnerable to adjustment, even with must-run status. Thus, the CAISO real-time market application, due to the assignment of high effectiveness value to nodal load, will most likely curtail nodal load prior to curtailment of the load drop offered at the default LAP level during system contingencies. Please validate if our understanding is correct. If correct, SWP proposes the CAISO make the proper adjustment to this proposal so that must-run pump load is sheltered from the impact of effectiveness value.
- **Resource Adequacy (RA) Requirement** – Use limited resources, such as SWP pump loads, presently are able to offset RA requirements during periods when these resources are able to offer non-spinning reserve and load drop to the CAISO ancillary service market. With the proposed flexibility of hourly designation of regulatory must run, on a particular day, SWP may designate some portion of a pumping plant as regulatory must run, and the remaining portion as non-regulatory must run from which non-spin and load drop may be provided in order to meet RA obligation. Please verify that intraday partial designation of regulatory must-run of a pumping plant does not disable the capability to provide non-spin or load drop and to meet RA obligation by non-regulatory must-run portion of the pumping plant for the same day.