

**Comments of the California Municipal Utilities Association (“CMUA”)  
CAISO Policy Issue Ranking Criteria**

CMUA members support the CAISO’s effort to prioritize tasks. Every issue, item, or idea that is presented to the CAISO cannot be given Top Priority. This practice in the past has led to mounting burdens on the CAISO, market participants, and policy makers. It is CMUA’s view that this has contributed to all manner of ills, including stakeholder disaffection with the CAISO decision making process and systems failures due to rushed schedules or inadequate resources siphoned off elsewhere. Below, CMUA makes the following suggestions as the CAISO continues to consider this matter.

**Simplify**

CMUA is concerned that the initial proposal by the CAISO is overly complex. Ultimately, decisions will involve some amount of non-quantifiable factors, and thus the CAISO should resist taking a microscope to every element of a possible decision. Yet, some structure is helpful. Below at Table 1, CMUA has provided a page from a New York ISO ranking criteria document. CMUA does not endorse these criteria or weighting proposals. For example, we would not endorse “Strategic Positioning” as a criteria, and would not weight affects on system reliability below other criteria. However, this New York ISO proposal does illustrate a simpler approach to a similar exercise, which CMUA commends to the CAISO’s attention.

**CAISO Centric Approach**

The Ranking Criteria in general show little interest in the Market Participant (“MP”) perspective, although MPs are affected by all the CAISO does. MPs have interest in far more than "ease or difficulty" of implementation of initiatives. They are also affected by increases in market efficiency, correction of market design flaws, infrastructure development, and stable market rules and their input should be solicited and weighed in evaluating market design changes in all of these areas. CMUA notes that this was a common observation at the stakeholder meeting.

**TABLE 1**

<b>Scorecard for Ranking Issues and Projects</b>			
<b>Criteria:</b>	<b>Raw Score:</b>	<b>Weighting</b>	<b>Weighted Score:</b>
<b>Value of Strategic Positioning</b>	4	5	<b>20</b>
<b>Regulatory or Legislative Requirement</b>	4	5	<b>20</b>
<b>Value of Market Improvement</b>	4	4	<b>16</b>
<b>Value of Enhanced System Reliability</b>	4	4	<b>16</b>
<b>Magnitude of Avoided Risk</b>	4	4	<b>16</b>
<b>Value of Increased Organizational Efficiency</b>	4	3	<b>12</b>
<b>Total Score</b>			<b>100</b>

<b>Definitions for Assigning Criteria Points</b>				
<b>Criteria</b>	<b>Points</b>			
	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>
<b>Value of Strategic Positioning</b>	Will maintain NYISO as compliant ISO/RTO	Will place NYISO at midpoint of ISO/RTOs	Will place NYISO among the leading ISO/RTOs	Will place NYISO as the pre-eminent ISO/RTO
<b>Regulatory or Legislative Requirement</b>	Some significance perceived but no ruling issued	Regulatory ruling requires action/compliance but no date certain	Regulatory ruling requires action/compliance within 6 months	Regulatory ruling requires immediate action/compliance
<b>Value of Market Improvement</b>	Potential value but not quantified	Quantified value < \$5M	Quantified value \$5-25M	Quantified value > \$25M
<b>Value of Enhanced System Reliability</b>	Potential value but not quantified	Quantified value to NYISO Operations	Quantified value to NYISO Operations and one or more MP Operations	Quantified value to NYISO Operations and neighboring CA's
<b>Magnitude of Avoided Risk</b>	Some risk but not quantified	Quantified market risk < \$5M or reliability risk to local area	Quantified market risk \$5-25M or reliability risk to NYCA	Quantified market risk > \$25M or reliability risk to region
<b>Value of Increased Organizational Efficiency</b>	Potential savings but not quantified	Quantified savings < \$100K or < 1 FTE	Quantified savings \$100-500K or 1-5 FTEs	Quantified savings > \$500K or > 5 FTEs

For Discussion Purposes Only

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**Legal Mandates Must Be Highly Weighted, Outside Policy Preferences Should Not.**

CMUA does not understand the ambiguity in the criteria with respect to FERC mandates. Like them or no, they are lawful orders from the CAISO’s regulator. How can the CAISO or stakeholder’s alternate preferences be given weight in this instance?

On the other hand, CMUA does not support introduction of the vague criteria “facilitate state policy” into the prioritization effort. The CAISO’s mission is to operate its Controlled Grid in a reliable and economic manner. The CAISO may also have a role in issues ancillary to that primary task. The State has many tools, including legislation, to facilitate achievement of goals set out by the Legislature and the Administration. While the CAISO should certainly have a cooperative relationship with state agencies, the CAISO itself is not a state agency and is not constituted institutionally to perform the tasks of carrying out state policies. Further, state policies do not always work in harmony. The CAISO should not either insert itself needlessly, or become inserted, into those broader energy policy debates.

### **Certain Categories Seem Vague or Unnecessary**

The CAISO includes “ISO Reputation” and “Expanding ISO Participation” as criteria. CMUA suggests that while these “ends” may be desirable, but they are not criteria in and of themselves. Indeed, CMUA believes that if other goals are realized (efficient grid operation, reliable grid operation, cost-effective provision of transmission services), these matters will take care of themselves.

### **“Complexity” Requires More Weight**

Among the Feasibility Criteria, complexity should be given more weight. CMUA has for several years expressed concerns about the overall complexity of the ISO rules. This has manifest itself in discussions on the CAISO’s Settlements System, 10-Minute Dispatch and Settlement, Phase 1B, Intertie Scheduling Timelines, and MRTU in general. High complexity and high failure rate appear to have some correlation. Thus, complexity should receive more weighting.

### **Market Efficiency is a Tough Criteria on Which to Base Decisions.**

With the exception of what may be rare clearcut cases, “market efficiency” is a tough criteria to judge and implement. Further, the document says that "the evaluation based on different criteria will be performed in consultation with those most familiar with the implications of the project with respect to the relevant criteria. That sentence is a bit ominous. MPS also have familiarity with the implications and may disagree, for example, with the evaluation by the ISO, especially its DMM, on market efficiency impacts. MPs should be able to provide input on such matters that is considered by the ISO along with input from its staff or other hired consultants.