UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

California Independent System Operator Corporation | Docket No. ER02-1656-017 EL03-216-001

# NOTICE OF AGENDA OF STAFF TECHNICAL CONFERENCE

(January 21, 2004)

As announced in the Notice of Technical Conference issued on December 16, 2003, the Commission Staff will convene a technical conference on January 28-29, 2004, to discuss with state representatives and market participants in California various substantive issues related to the California Independent System Operator's (CAISO) Revised MD02 proposal, including the flexible offer obligation proposal, the residual unit commitment process, pricing for constrained-output generators, marginal losses, and ancillary services and other market efficiency issues not related to the mitigation of market power. The market power mitigation issues will be discussed at the technical conference proposed to be held in San Francisco, California in early March 2004.

The conference will focus on the six issue areas identified in the agenda, which is appended to this Notice. The discussion of each topic on the conference agenda will begin with a short presentation by the Commission Staff to frame the issue, followed by an open discussion amongst all participants. Participants are encouraged to be prepared to discuss the issues substantively.

The conference will begin at 9:00 a.m. Eastern Time on both days, and will adjourn at 5:00 p.m. Eastern Time on January 29, 2004. The conference will be held in the offices of the Federal Energy Regulatory Commission, 888 First Street, NE, Washington, DC. The conference is open for the public to attend, and registration is not required.

For more information about the conference, please contact: Olga Kolotushkina at (202) 502-6024 or at olga.kolotushkina@ferc.gov.

Magalie R. Salas
Secretary

Agenda for January 28-29 Staff Technical Conference

I. Flexible Offer Obligation Proposal[1]

- How will the implementation of this proposal affect day-ahead (DA) and real-time (RT) market timelines?
- To what extent does the Flexible Offer Obligation provide adequate incentive to suppliers to participate in CAISO's markets and provide CAISO with the reliability it needs?
- Explain why, if at all, slow-start units present special circumstances that justify exempting them from the Flexible Offer Obligation requirements. What are the alternatives for a slow-start unit to protect itself from unrecovered start-up and minimum-load costs by bidding into the DA market?

II. Residual Unit Commitment (RUC) Issues[2]

- Energy Procurement Target
  - Why is energy procurement needed if procured capacity can ensure reliability?
  - Explain what impacts the procurement of energy could have on the DA market, e.g., discouraging load from bidding.
  - Would energy purchased through RUC receive a different price than energy procured from the DA market? Explain.
  - Who would pay for energy that was procured but ultimately not needed?
- Treatment of and obligations for imports
  - Explain the extent to which the purchase of only capacity (not energy) gives imports sufficient incentive to acquire the necessary transmission capacity across the ties.
- Rescission of RUC availability payment
  - How does the RUC availability payment differ from a call option?

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[1] See California Independent System Operator Corporation, 105 FERC ¶ 61,140 (2003) (October 28 Order) at P 217-232.

[2] See October 28 Order at P 99-130.

    - How does the RUC availability payment differ from offering operating reserve capacity?
  - Netting of start-up/minimum load (SU/ML) costs
    - What are the pros and cons of permitting units that are committed in the DA market to receive payment to cover SU/ML costs in the DA market and retain all revenues for subsequent sales?
  - Obligations from commitment in DA market and RUC
    - Explain how, if at all, units committed to supply capacity in RUC are obligated to offer energy in real time. What are the impacts to markets?
  - Discussion of use of daily or monthly gas indices in cost-based option for SU/ML costs.

III. Ancillary Services (A/S)[3]

  - To what extent should the ISO have well-defined, transparent A/S procurement rules? How much flexibility should the ISO have in determining when to purchase needed A/S? What are the impacts?
  - Should market participants have the opportunity to buy their A/S position back in the hour-ahead market? What impact would this have on markets and system operators?

IV. Constrained-Output Generators[4]

  - Explain when is it appropriate for constrained-output generators to set the market clearing price.
  - Explain whether and why different pricing rules between the DA and RT markets may be appropriate.

V. Marginal Losses[5]

  - How can the excess revenues created through marginal loss pricing be returned to the appropriate participants without distorting efficient price signals?
  - How should entities that self-provide losses be treated?
  - Discussion of alternative proposals, including that of FPL Energy, LLC.

VI. Miscellaneous Issues

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[3] See October 28 Order at P 79-84.

[4] See October 28 Order at P 85-89.

[5] See October 28 Order at P 71-78.