

Stakeholder Comments Template

**Subject: SCE Comments on 2011 CRR enhancements Straw Proposal,
April 15, 2011**

Submitted by	Company	Date Submitted
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Introduction

SCE appreciates the opportunity to address the issues raised in the 2011 CRR Enhancements Straw Proposal¹. SCE fully supports the CAISO's decision to defer auction and auction revenue² issues and to shift needed changes to the load migration³ methodology into a separate working group.

The remaining issues revolving around simplification⁴ and revenue adequacy⁵ will themselves be difficult to resolve within the proposed time frame. While SCE agrees with the direction of this effort, without additional analysis it is unable to quantify the impact of the proposals, and in turn does not have sufficient basis to judge its overall reasonableness. Irrespective of reasonableness, we see two barriers to implementing the full complement of proposed revisions as presented in the Straw Proposal. First, the time frame for implementation is too short to accommodate tariff changes. Second, the CAISO has yet to fully develop the OTC concept and has not shown how it might impact the other elements of CRR allocation process. SCE's comments are comprised of its recommendations to the timing and change in scope and these are followed by comments on other elements of the Straw Proposal.

Recommendations

SCE asks the CAISO to defer Tariff Changes for the 2012 CRR Allocations

If CAISO council believes that OTC can be implemented without a tariff change, SCE would be open to submission of OTC methodology to the CAISO Board in June with implementation for the 2012 CCR allocations. Changing to 65% annual allocation and combining monthly Tier 1 and Tier 2 will require tariff changes that cannot be

¹ CAISO, April 15, 2011. "2011 CRR Enhancements Straw Proposal"
<http://www.aiso.com/2b61/2b61adcf564c0.pdf>

² CAISO, March 4, 2011, "2011 CRR Enhancements Issue Paper", §§4.3.3-5
<http://www.aiso.com/2b37/2b379e9a574f0.pdf>

³ Ibid at 1, §4.1

⁴ Ibid at 1, §4.3

⁵ Ibid at 1, §4.2

accomplished in time for the 2012 CRR allocations. SCE believes that it will be beneficial to continue work on those elements requiring tariff changes and plan for their adoption for the 2013 CRR allocations. Although this defers parts of the Straw Proposal, SCE believes that this approach will significantly address revenue inadequacy in the near term while helping stakeholders to come to consensus on the balance of the Straw Proposal.

SCE asks that CAISO Perform a Sequential Analysis of OTC, 65% Annual CRR Release, and Monthly Allocation Process

SCE believes that an understanding of the potential impact of OTC must be developed before the proposed 65%⁶ annual allocations or a restructuring of the monthly allocation process can be contemplated. The key question is: How would OTC, if implemented alone, have impacted the 2011 allocation process? SCE understands that the answer requires some CAISO effort but suggests that that effort should satisfy many of the uncertainties remaining in the OTC implementation. Such an analysis should include detail of how the three year historical sample will be used to set the OTC for a single year and how potential changes in grid topology are managed within the proposal. After the analyses are complete for OTC, they can be overlaid with the 75% and/or 65% CRR releases to show the impact of that second set of changes. Finally another evaluation should be completed to evaluate the contemplated changes to the annual and monthly processes.

The above method will clearly show how a percentage change in CRR release for the annual process will impact the PNP and help evaluate whether there is a need for a monthly PNP. Furthermore, this should provide a sense for how a combination of OTC and a reduced annual allocation will impact the monthly allocations. This is the kind of detailed analysis that provides stakeholders with the information needed to understand the reasonableness of the CAISO's straw proposal.

That said, SCE believes the alternative suggestion of a 50% annual allocation⁷ to be beyond what could be considered a prudent incremental change in methodology and furthermore would expect that such a change would have a significant impact on customers congestion risk, as such SCE *could not* support that suggestion.

Beyond the analysis framework, there are several questions that should be kept in mind as the analysis proceeds:

- What is the impact on the PNP when moving from 75% to 65%⁸ annual release?

⁶ Ibid at 1, p. 7

⁷ Ibid at 1, p. 7

⁸ If a 50% annual allocation is thought feasible, as suggested by some, it too can be considered here.

- Does the OTC breakeven point determine the annual release of CRRs for allocation or the total CRRs to be released?
- Should a monthly PNP be added to recover the CRRs lost with the 10 % reduction in annual allocations?
- The CAISO suggests that annual GDFs would be an alternative to the 65% reduction. How can we evaluate the tradeoff between GDFs and 65% annual release?
- How will outliers in the three (or possibly five) year historical capacity derate data to be handled?
- Are forced or planned outages the source of revenue inadequacy and do provisions in the proposal account for this? Which one prevails in annual capacity reduction?
- Future topology changes could conceivably change the available capacity at other interties; will such changes be left for monthly to true up or should more effort be made to include such changes in the annual CRR processes?

The CAISO has set the stage for beneficial changes in the CRR annual and monthly processes. However, as is typical of such changes, it is essential that appropriate care be taken to assure that all of these interrelated process amendments result in allocations that continue to relieve customers of congestion risk.

Comments on Other Elements

Monthly Allocations

The CAISO has suggested that the capacity for monthly allocations may be limited to the lesser of TTC-outages and Annual OTC⁹. SCE is concerned that in the cases when the Annual OTC (rather than TTC less planned outages) is used for monthly allocations the monthly capacity forecast is ignored. This would unnecessarily limit monthly allocations to a less accurate annual level. SCE believes that the TTC less average forced outages and actual planned outages would always be the preferred release in the monthly.

In addition to the CRR allocation consideration above, combining Tier 1 and Tier 2 in the monthly process will require revision of the monthly auction set aside¹⁰. SCE believes that after consolidation of Tiers, this set aside should no longer be a part of the monthly process.

⁹ Ibid at 1, p. 6

¹⁰ CAISO, Jan 21, 2011. "Business Practice Manual for Congestion Revenue Rights", §7.1.1
<https://bpm.aiso.com/bpm/bpm/version/00000000000123>

To clarify, SCE believes that the appropriate and strait forward approach to simplifying the monthly allocation process is to drop the current Tier 2¹¹ process and the monthly auction set aside¹² after Tier 1. This would leave any residuals after Tier 1 available to the auction. SCE believes that this change will maintain total allocations (monthly plus annual) and if there is to be a reduction in annual allocations, it would assure that more CRRs available in the monthly process. SCE believes that maintaining total allocations is an essential feature of any allocation changes.

Tariff Changes

SCE does not have a sufficient basis to support the tariff changes required to implement the major provisions of the Straw Proposal (e.g. 65% Annual Allocation and Combining Tier 1 and Tier 2), and as stated above, SCE has substantial reservations about the possibility of implementing the extensive tariff changes for 2012 Allocations.

However, the CAISO has proposed additional tariff updates¹³ to clean up existing tariff problems and inconsistencies. SCE does not object to the changes, as proposed, for the following issues:

- PNP Upper Bound-Rework language.
- Reconfiguration of Previously Released Annual CRRs-adapt for mid-year changes.
- Remove mandatory CRR training requirement.
- Allow manual SRS vs. existing software process.
- Auction Clearing Price Calculation.
- Credit Requirements for Load Migration and Bilateral Trades.
- Portfolio of bids submitted versus individual bids.
- Retirement Process for Disconnected PNODES.
- Implementation of Sell Feature.

Additional auction functionality¹⁴

The CAISO has listed issues it intends to incorporate into the Market Initiatives Roadmap¹⁵. SCE supports the proper prioritization of such functionality within the Roadmap

Transmission Planning and Scheduling

DC Energy (at the 4/20/11 Teleconference) suggested that there should be more advance notice of outages. SCE agrees in part with this assertion and offers a

¹¹ Ibid at 1, §36.8.3.6.2

¹² Ibid at 10 §7.1.1 ¶2

¹³ Ibid at 1, §4.4

¹⁴ Ibid at 1, §5.

¹⁵ Balance of Planning Period Auction Functionality, Multi-period Optimization, LT Auction.

somewhat different focus. SCE believes that an orderly, timely and accurate determination of monthly intertie capacity is desirable. However, there does not appear to be a CAISO process in place to accomplish this. SCE suggests that planning for this determination should start with a CAISO annual determination of planned intertie outages derived from informal conversations with neighboring BAAs. This plan would then be used as a framework for setting up the monthly intertie outage schedule, again based on conversations with neighboring BAAs. Although this process would only report out the intertie capacity as part of the monthly CRR determination, SCE believes that the additional annual preview of outages with a monthly true up could make a real contribution to the provision of orderly, timely and accurate monthly intertie capacities.

Conclusion

SCE is committed to making substantial progress on the 2011 CRR Enhancements, as outlined in the straw proposal. That said, SCE remains committed to a viable CRR allocation methodology and sees a detailed development of the proposal and an appropriate analysis as essential elements of the CAISO Straw Proposal. SCE asks that the CAISO undertake such an analysis prior to board submission.