

Comments of Southern California Edison Company

On the California ISO Discussion Paper:

“Amendment 60 Implementation Plan – Must Offer Commitments for Miguel and South of Lugo”

SCE has reviewed the Whitepaper titled "Amendment 60 Implementation Plan -- Must Offer Commitments for Miguel and South of Lugo" and has the following comments.

SCE agrees with the ISO that it is appropriate at this time to remove generation unit commitment requirements associated with South of Lugo from the M-438 Operating Procedure and instead rely on its must-offer authority for that purpose. The Rehearing Order in the Amendment 60 proceeding (121 FERC ¶ 61,193) found that must-offer commitment costs associated with South of Lugo are appropriately classified as Zonal (Rehearing Order at P. 26). SCE bears the above-market costs of all unit commitment performed under the M-438 Operating Procedure as a Participating TO, and recovers those costs through its Reliability Services rates from its transmission customers, just as SCE recovers costs associated with must-offer commitments that are classified as Local and billed to SCE. As the Rehearing Order indicates, South of Lugo is appropriately classified as a Zonal constraint for the purposes of allocation of must-offer costs. Therefore, it is appropriate to remove commitment requirements associated with South of Lugo from M-438 and rely on the ISO's must-offer authority, which will result in those costs being classified as Zonal and appropriately billed to all SP15 load pursuant to the FERC-approved Amendment 60 cost allocation method. The ISO's must-offer authority is the only mechanism that the ISO has available under which commitment costs may be allocated on a Zonal Basis.

The ISO apparently has been classifying and billing Miguel as Local-SDG&E for most of the period since the initiation of the Amendment 60 cost-allocation method on October 1, 2004, until November 29, 2007 when the ISO made revisions to Operating Procedure M-432-A. SCE agrees that it was appropriate that Miguel be recognized as a Zonal given the FERC Orders in the Amendment 60 proceeding.

The ISO also recognizes that it will have to review must-offer commitments back to the effective date of Amendment 60 to determine which commitments related to Miguel and to reallocate commitment costs accordingly. In performing that activity, there are a couple of concepts that SCE believes the ISO should be mindful of. Pursuant to the Amendment 60 cost allocation method, the ISO makes unit commitment decisions in an order from Local to Zonal to System. Even though a unit committed to maintain a Local reliability purpose may also achieve Zonal and even System reliability, it is logged and billed as Local and billed to the applicable PTO (although there may subsequently be a sharing of costs between Local and System pursuant to the "Incremental Cost of Local" aspect of Amendment 60). Therefore, it is important to ensure that commitments that were made for purely Local purposes are in fact logged as Local. The fact that a Local commitment may also achieve Zonal reliability does not mean that it should be logged as

Zonal. In order for a commitment to be logged as Zonal, it must be pursuant to a procedure that by itself is associated with a constraint that has been found to be Zonal.