

SCE Comments on the CAISO Study 2 Draft Parameters
May 7, 2004

2. Study Period - The impression made at the April 27th meeting was that only one year could be modeled. It seems that modeling only 2006 would be appropriate given the current schedule for MD02 implementation and sufficient since modeling additional years would add too many variations to the scenarios that would muddy the conclusions that could be drawn from the study.
5. FNM - What are the assumptions that the CAISO is using in regards to the WAPA and TANC transmission capacity? The CAISO should have two parameters where the WAPA and TANC transmission capacity are modeled and not modeled in the FNM.
6. Transmission outage modeling - The currently proposed criteria for which outages would be modeled (24-hours of outage would remove affected capacity from the monthly allocation) is too stringent. Criteria similar to that used in PJM (2-weeks of outage) would be more appropriate.
7. Operating Constraints - The CAISO needs to provide the detailed constraint information to the stakeholders in a manner that allows sufficient time for analysis and comment by the stakeholders.
9. ETC Sink Locations - The sink locations of ETCs modeled in the study should be consistent with those used in the IFM.
12. CRR Nomination Validation – The CAISO needs to make more explicit commitment to ensure these nomination validations are published and vetted before CRR Study 2 begins. In addition, for the study only, the nomination validations need to allow for nominations which the LSEs expect to have contracts for in the time period to be study but do not currently have now.
13. CRR Nominations for ETCs – The nominations for ETCs should be done only by the SC for the ETC. The PTO is often not the SC for ETCs and it should not be assumed that the PTO would be. This is an aspect of MD02 that should be left to the ETC Stakeholder Process and not assumed in the CRR Stakeholder Process. SCE has protested the CAISO's ETC proposal to require PTOs to assume the SC role for ETCs. What matters is that the CAISO receive the correct ETC nominations from the entity scheduling the ETC. SCE believes that the CAISO would receive sufficient information if the ETC's SCs submit the nominations, subject to the DMA's validation rules.
18. Merchant Transmission - Since the impact of eligible (i.e. transmission costs not in TAC) Merchant Transmission on the study is small (it is assumed that the FPL/Blythe Energy upgrade is the only Merchant Transmission to be modeled), Options should be allocated to Merchant Transmission at the start of the study with the understanding that further stakeholder discussion is required on this aspect of the CRR allocation.
20. SFT - The CAISO should run just one simultaneous SFT to take advantage of the counterflows that may be created by nominations from different priorities. Running the SFT sequentially for each participant class (i.e. ETC, Converted Rights, LSEs), intuitively, would not seem to be a value-adding activity. In addition, the simultaneous optimization run should also be done with the SCE simple 4 priority proposal.
23. Surrogate Aggregations - Breaking down large aggregations to improve CRR allocation efficiency would be worthwhile. However, the CAISO needs to model the revenue flows in the CRR Balancing Account to determine what revenue inadequacy risk there is with the reassembly of the large aggregations. This modeling of the CRR Balancing Account would also be need for determining the impact of using the CRR Static Allocation LDFs versus the Dynamic IFM LDFs in CRR Settlements.
26. Determining Yearly Financial Hedge Positions – The CAISO should not scale down CRRs. The scaling of CRRs disincent LSEs from submitting efficient and valued CRR nominations.
28. Prices used in CRR Settlements – SCE assumes that for Study 2 the CAISO would only be able to use the Static Allocation LDFs since the Dynamic LDFs that would result from the IFM are not being

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modeled. Is this correct? The CAISO needs to model the revenue flows in the CRR Balancing Account to determine what revenue inadequacy risk there is with using the CRR Static Allocation LDFs versus the Dynamic IFM LDFs in CRR Settlements.

29. CRR MW levels used in Settlements - The CAISO needs to model the revenue flows in the CRR Balancing Account to determine what revenue inadequacy risk there is with the reassembly of the large aggregations from the surrogate level.

31. Replace Trading Hub Sources with generation/import Sources - The CAISO should not perform this task. It seems that the CAISO/market participants will not be able to translate Trading Hub transactions to source when such a translation does not exist in the contracts. Also, spreading MWs to uncommitted sources within a Trading Hub does not seem appropriate since many transactions are often sourced from other control areas.

32. Modeling the results of an auction - The CAISO should also produce a simple minimum/maximum auction results range where the minimum CRRs available for the monthly allocation occurs when all of the annual capacity (75% of system capacity) is allocated /auctioned (i.e. only 25% of capacity is left for the monthly allocation/auction), and the maximum CRRs available for the monthly allocation occurs when no capacity is disbursed in the auction and what is left for the monthly is the difference between the annual allocation and 100% of system capacity.