

SCE appreciates the opportunity to comment on the revised whitepaper "Proposed Modification to the MRTU Real-time LAP Price Computation."

As per our earlier 11/15/06 comments on this topic, SCE supports revising the filed MRTU methodology and supports calculating a single real-time LAP settlement price. We also support charging an uplift for the revenue shortfalls associated with changes in the LDF between the day-ahead IFM and real-time market ("LDF Uplift"). However, SCE does not support charging the LDF Uplift to day-ahead IFM purchases. Rather, we believe the LDF Uplift should be charged to all Measured Demand.

SCE notes that, per the MRTU tariff, Measured Demand includes both "The metered CAISO Demand plus Real-Time Interchange export schedules." The issue of LDF Uplifts relates to a CAISO change in LDFs between day-ahead and real-time. Such changes not only impact LAP settlements, but they impact the flow calculation used to price all nodes, including exports. As a result, we believe that all Measured Demand should be allocated the LDF Uplift. We object to charging LDF Uplift just to day-ahead load because, as noted in the revised whitepaper, such an allocation may provide incentives for parties to either under or overschedule in the day-ahead market. The LDF Uplift is a result of modeling error, and we can avoid the potential of creating perverse day-ahead scheduling incentives simply by allocating the LDF Uplift costs to Measured Demand.

SCE notes the revised whitepaper argues that various alternatives for LDF Uplift allocation are "workable provided that the marginal loss surplus is allocated in a similar fashion." Although SCE's recommendation allocates both the LDF Uplift and the marginal loss surplus in a like manner (note the whitepaper is incorrect when it states the marginal loss surplus is allocated to metered load - Tariff section 11.2.1.6 clearly states the marginal loss surplus is allocated to Measured Demand) SCE objects to creating a linkage between marginal losses and LDF Uplifts. The two issues are distinct, separable and result from completely different root causes.

As a result, the CAISO should not link these items together in their discussions.

Finally, SCE notes that any movement to "nodal virtual bidding" has the potential to exasperate and potentially systematically bias differences between day-ahead and real-time LDFs. As a result, the CAISO should consider allocating LDF Uplift to virtual bids if/when it implements nodal virtual bidding.

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