Stakeholder Comments on:
Post-Five Day Price Correction Issue Paper

Submitted by	Company	Submitted Date
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Southern California Edison "SCE" appreciates the opportunity to provide comments on the straw paper entitled, "Post-Five Day Price Corrections", dated March 4, 2010. SCE continues to support the ISO's desire to improve transparency and reduce uncertainty into its post 5 day price correction process, but has concerns with certain aspects of the ISO's straw proposal. Specifically, SCE has concerns with (1) the proposed look-back period duration, (2) the proposed look-back period trigger, and (3) correction methodology restrictions proposed by the ISO. In addition, SCE includes comments on the straw proposal addendum for post 5 day price corrections, dated March 19, 2010.

A 60 Day Look-Back Period is Inconsistent with the Settlement Dispute Rules

SCE continues to believe a look-back/sunset period for post 5 day price corrections should be consistent with the second to last recalculation settlement statement (T+35M). Such a timeline would provide the ISO with sufficient time to investigate, analyze, and correct prices in time for the final settlement statement published on T+36M. Furthermore, it provides assurance to market participants that market prices are consistent with tariff provisions and with the ISO's settlement cycle.

That being said, if the ISO desires a shorter look-back period – for reasons of price certainty- then SCE can't support the proposed period of 60 calendar days. Such a look-back period is inconsistent with the ISO dispute process, in that it does not allow sufficient time for market participants to: (1) dispute prices on the T+38B statement and (2) review and respond to the resolved dispute when incorporated into the T+76B recalculation statement.

As acknowledged by the CAISO, Market Participants have the ability to dispute all charges- including market prices- through the T+38B settlement recalculation statement. The dispute process, as defined in Section 11.29.8.4.2 of the ISO Tariff allows for Market Participants to dispute charges on the T+38B statement up to 18 business days from the date of publication. In total, the ISO's Tariff allows market participants up until T+56B to dispute market prices. A 60 calendar day look-back period would always occur prior to the deadline for submission of T+38B settlement disputes. Such a look-back period simply does not allow market participants sufficient time to dispute market prices and is in direct conflict the Section 11.29.8.4.2 of the ISO tariff.

Furthermore, a 60 day look-back period does not allow Market Participants sufficient time to review and respond to market pricing disputes made as a result of the T+38B recalculation statement[1]. The first time Market Participants will be able to review the settlement impacts of a pricing dispute raised at T+38B would be on the T+76B recalculation statement. Per the Tariff the market participant then has up until T+12M to dispute any incremental changes between T+76B and T+38B (e.g. the dispute resolution). Under the proposed 60 day look-back Market Participants would be unable to respond to the resolved dispute- as allowed for by the ISO's Tariff. At a minimum, the look-back period must allow for Market Participants to respond to pricing disputes raised during the T+76B dispute window. As such, existing Tariff rules dictate that period be no shorter than T+12M.

Look-Back Trigger Should be Based on Discovery Date

The straw proposal recommends the look-back cycle start either when (1) the ISO implements software fixes to correct a pricing error or (2) the ISO begins correcting a pricing error within the normal 5 day price correction window.

SCE does not support the ISO's proposal and request the look-back period start from the date the pricing error is discovered. Under the ISO's proposal, it is possible that the time period for discovery to correction (either by a software fix or through the normal price correction process) could take days, weeks, or even months. Such a time lag would allow for invalid market prices to remain in place after the ISO has identified the problem and determined that the prices are inconsistent with the ISO's tariff.

As an alternative, SCE recommends the ISO trigger the look-back provision based on the date the pricing error is discovered. Doing so would allow the ISO to thoroughly investigate the market impact and allow time for software fixes and price correction process to be developed and implemented correctly. A trigger based on date of discovery will also prevent the ISO from knowingly invoicing Market Participants using market prices that are not compliant with the provisions of its Tariff.

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[1] As defined in Section 11.29.8.4.3 of the ISO tariff market participants are allowed to dispute incremental changes in a recalculation settlement statement T+76B, including the CAISO's implementation of a prior accepted dispute contained in a recalculation settlement statement T+76B, no later than (12) months from the relevant trade date.

Price Correction Methodology Should Be Consistent with Normal 5 Day Process

The ISO's weekly price correction reports describe three correction methodologies used for correcting prices. Those methodologies are:

- **Selective Recalculation:** CAISO will selectively recalculate incorrect financially binding prices when the invalid prices are isolated and can be corrected such that no other financially binding prices are affected by the correction.
- **System Recalculation:** CAISO will recalculate all prices for the invalidated market interval using corrected or recreated input data, or repaired software as applicable.
- **Replacement:** Replace prices from binding or advisory intervals from the validated market solution in which the market conditions were most similar to the market conditions in the invalidated market solution for the affected interval.

ISO's price correction reports also include information on the number of price corrections performed each week and the methodology used to correction them. For example, ISO has corrected prices using the System Recalculation methodology numerous times over the past 7 months to address issue such as: constraint application errors, modeling errors, load forecast errors, incorrect shadow prices, corrupt shift factors, substation telemetry issues, invalid binding constraints, and inter-tie schedules fixed at incorrect levels.

It is SCE position that the price correction methodologies performed by the CAISO after the normal price correction window should be consistent with those used within the 5 day window. The ISO's straw proposal indicates that system recalculations will not be performed because the results would be inconsistent with dispatch and schedule levels and based on approximations. It is unclear why the ISO would perform a system recalculation for price corrections within the 5 day window but will not for a price correction that occurs on the 6^{th} day? If a correction methodology, such as a System Recalculation, is right for the market within the normal price correction window it should be right for the market outside the window as well. The goals and standards of the ISO's price correction processes should be to publish market prices consistent with the ISO tariff provisions in a timely manner and should not be relaxed based on the timeline of when a pricing error is discovered/fixed. SCE urges the ISO to remain consistent with the methodology and techniques used to evaluate and correct market prices throughout the entire price correction process.

CAISO Market is New and Has Major Market Enhancements Upcoming- Which Makes a 5 Day Look-Back Period Premature

The straw proposal addendum published on March 19th recommends that the ISO limit the price correction window to 5 days, with the exception of requesting a waiver from FERC for price corrections after 5 days if the ISO deems it necessary.

Due to the infancy of MRTU and upcoming major market enhancements SCE believes it is premature for the ISO to depend upon a FERC waiver to correct prices after 5 days at this time. MRTU is not even a year old and the ISO continues to perform software and modeling improvements to the existing market design. For example, the ISO has recently added new constraints into the market software (e.g. G-219, G-217, and SCISL) and is looking for ways to improve LDF's - both of these types of improvements have resulted in price corrections required after the normal 5 day window in the past. In addition, the CAISO will be implementing two major market enhancements over the next year - Multi-Staged Generation Modeling (MSG) and Virtual Bidding - which will in all likelihood increase, at least initially, the volume of price corrections. SCE continues to believe at this point in time the best approach for post 5 day price corrections is for a look-back period of 35 months from the date of discovery.

In support of our position SCE includes a table that contains a listing of price corrections the ISO has performed to date outside the normal 5 day price correction window[2]. SCE notes that this list is not a complete list but provides evidence for why the ISO should hold off limiting the price correction window to 5 days until all parties get more experience with MRTU and major market enhancement are implemented and stable.

Description	Market	Trade Date	Date Corrected	Intervals Affected
Trading Hub recalculation Market Notice Title: Revised Trading Hub Prices Posted June 8, 2009	ALL	Various	Various	Many
Incorrect LDF's used in IFM Market Notice Title: Day Ahead Price Corrections for May 2, 2009 Posted June 4 2009	IFM, RUC	5/2/2009	6/4/2009	One trade date
Recalculated prices because scheduling run prices were erroneously used for correction instead of pricing run prices. Market Notice Title: Price Corrections for May 19, May 22, May 27, May 29, and June 10, 2009. Posted July 13, 2009	RTD	Various	7/13/09-7/16/09	Twelve Intervals
Due to technical issues, operators were not able to incorporate a contingency event in the market. The issue was identified within the correction timeline, but	RTD	4/17/2009	7/16/2009	Four Intervals

[2] CAISO Technical Bulletin on Price Validation http://www.caiso.com/2724/2724e6e14e940.pdf

was not made until afterwards. Market Notice Title: Real-Time Market Price Corrections for April 17, 2009. Posted July 17, 2009				

SCE Request ISO Clarify Comments Regarding Price Corrections and Disputes

SCE seeks clarification from the ISO on the impact of pricing disputes on the financially binding prices that come out of the market software. The March 4th straw proposal includes language that indicates that market participants have until the T+38B recalculation settlement statement to dispute price related issues, however, the March 19th addendum indicates that market prices will not change as a result of a price correction. SCE would like confirmation from the ISO that market prices will not be modified as a result of a pricing dispute initiated through the settlement dispute resolution process.