

**Stakeholder Comments on:
Straw Proposal - A New Scheduling Class for Regulatory Must-Run
Pump Load in the Integrated Forward Market and Modifications to the
Definition of Regulatory Must-Take Generation**

| Submitted by | Company | Submitted Date |
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Southern California Edison "SCE" provides the following comments on the proposal for changes to Regulatory Must-Run and Regulatory Must-Take generation classification per the whitepaper dated December 14, 2010.

SCE supports the proposal to create an IFM Regulatory Must-Run (RMR) class for must-run pump load.

SCE supports the California Independent System Operator Corporation ("ISO") straw proposal to create a new Integrated Forward Market ("IFM") scheduling priority class for regulatory must-run pump load. Given the legitimate need to maintain a safe and reliable water supply for all Californians, the proposed change appears reasonable.

SCE opposes the proposal to expand the definition of Regulatory Must-Take generation beyond the language that currently exists in the CAISO tariff.

On the issue of redefining Regulatory Must-Take Generation (RMT), SCE opposes the proposed revisions to the current definition found in the tariff. The proposed changes open the door for vast numbers of previously excluded facilities to gain unwarranted scheduling priority over other units. By giving these units priority in the IFM, the ISO offers select facilities undue financial priority in the IFM, while the proposal will have no impact on the physical operating constraints of these same resources. Non-dispatchable capacity will generate MWhs in real-time independent of how the unit is scheduled or self-scheduled in the IFM. By giving scheduling priority in the day-ahead market, ISO simply provides one class of units with a financial mechanism to avoid real-time settlements in favor of day-ahead settlements. As revised, the Regulatory Must-Take definition displays inappropriate special-interest carve outs for specific technologies (e.g., enhanced oil recovery) and appears to achieve nothing more than creating a financial subsidy for these favored facilities. Moreover, one of the goals of the QF settlement, from SCE's perspective, was to promote greater *market* participation by QF units. However, the proposal to provide these units special self-scheduling priority runs contrary to encouraging greater market

participation. SCE sees no reason for this special treatment and thus does not support any changes to the current definition of Regulatory Must-Take Generation.

Beyond favoring select facilities, we are concerned that the proposed expansion of Regulatory Must-Take Generation would hinder efficient operation of the IFM. It is likely that an increase in MWs in the RMT scheduling class would shrink the so called "price-taker" or "generic" self-schedule bucket and increase the Regulatory Must-Take self-schedule bucket. When solving, the ISO optimization model would be more likely to run through the "generic" self-scheduled units and reach the RMT class, thus incorporating the more extreme RMT penalty parameters into the market clearing price. The end result of a larger RMT class would be deeper negative administrative prices when triggering RMT parameters, and no change to the physical operations of non-dispatchable units. Moreover, allowing new classes of resources to self-schedule with RMT priority is contrary to objectives stated in the Renewable Integration market design process. That is, while the CAISO is working to facilitate renewable integration by reducing the amount of resources that self-schedule, this straw proposal would increase the amount of resources eligible for priority self-scheduling treatment.

While SCE supports the CAISO's intent to limit the MWs in RMT to the "non-dispatchable capacity" or "minimum take" of eligible units (as in item 4 of the proposed tariff language), we remain concerned that there may not be a reasonable way to implement this change. With such a wide variety of unique units eligible, determining what is the "non-dispatchable capacity" for each unit - especially in circumstances where the contract holder argues they have discretion to name any value irrespective of physical limitations - could be highly subjective and burdensome. Given these practical constraints, SCE recommends leaving the definition of RMT found in the existing tariff as-is in order to contain the RMT class and promote an efficient market.

Conclusion

SCE supports adopting a new priority scheduling class to accommodate must-run pump load. SCE opposes the proposed changes to the RMT definition, as proposed revisions could significantly expand the RMT class, giving unwarranted special treatment to certain facilities and reducing the efficiency of the CAISO IFM.