

**SWP Comments to CAISO on
“Parameter Tuning for Uneconomic Adjustments”
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In accordance with the schedule set forth in the in the June 13, 2008 California Independent System Operator (CAISO) Presentation concerning “Parameter Tuning for Uneconomic Adjustments (Adjustments),” the California Department of Water Resources State Water Project (CDWR-SWP) provides the following comments on the Draft Final Proposal.

CDWR-SWP appreciates the opportunity to comment on the Draft Final Proposal. As CDWR-SWP explained in its prior comments, it relies upon reliable electric transmission service to provide essential water deliveries to millions of Californians. Drought conditions and recently imposed severe environmental restrictions placed on CDWR-SWP pumping operations at the Bay/Delta Banks facilities, which serve as the intake point for the California aqueduct, have vastly reduced CDWR-SWP’s ability to tolerate interrupted or altered operations to accommodate the power grid. Thus CDWR-SWP must be able to rely on the physical firm transmission rights it has under contract, even after MRTU becomes effective.

The Draft Final Proposal apparently authorizes curtailment of Existing Transmission Contract (ETC)/Transmission Ownership Right (TOR) transmission service based on the CAISO’s view of “unreasonable’ price outcomes” resulting from use of MRTU bids and LMP pricing. CDWR-SWP’s ETC does not permit curtailments based on “unreasonable’ price outcomes” of CAISO markets but rather requires redispatch (specifically, power purchases, generator adjustments, etc) in order to ensure the highest level of firm transmission.

According to the Draft Final Proposal, however, the proposed tariff amendment to curtail ETCs prior to exhausting available bids “does not diminish” these rights. CDWR-SWP is concerned that the Draft Final Proposal misapprehends the CAISO’s fundamental obligation dating to CAISO startup that physical firm transmission rights shall not be curtailed absent an otherwise unsolvable reliability problem or emergency. Contrary to the Draft Final Proposal, curtailment of ETC/TOR rights based on economic outcomes of CAISO markets has not heretofore been permitted. CDWR-SWP has particularly relied upon the CAISO’s assurance in its February 9, 2006 MRTU filing before FERC that physical firm transmission rights would not be curtailed for reasons of economic outcomes of LMP pricing within MRTU because, to quote FERC, “Once a customer taking firm service . . . agrees to pay the transmission rates and schedules service, it has the full assurance that it will be able to transmit power between its chosen receipt

and delivery points without service interruption (absent force majeure or curtailment) and without being subject to any additional costs.”¹

CDWR-SWP continues to oppose any market curtailment of firm ETC rights. CDWR-SWP has seen nothing in the CAISO’s presentations to explain why the CAISO should not restrict its LMP price-based curtailments to actual self-schedules in the sense of price-takers under MRTU, which do not involve these categories of physical firm rights. Other alternatives, including but not limited to reserving transmission capacity in order to honor ETCs, CVRs and TORs, should also be considered before physical firm rights are abrogated to mitigate extreme LMP outcomes.

CDWR-SWP recommends further stakeholder processes to inform market participants how the Draft Final Proposal will be implemented. For instance:

- Unilateral curtailments of ETC/TOR schedules are fundamentally incompatible with the CAISO tariff obligations to validate and honor ETCs and TORs. Tariff language will need to be developed to authorize such action, and will need to address problems associated with CAISO-induced ETC/TOR schedule imbalances resulting from Parameter Tuning curtailments.²
- Parameter Tuning curtailments of firm self-scheduled loads should not occur except as part of a declared System Emergency, in which case all similarly situated loads should experience the same rolling blackouts on a nondiscriminatory basis. Such protections should be built into the tariff.
- As required under 18 CFR § 37.6(e)(3), the CAISO should develop reporting and other mechanisms to create customer confidence that the trigger(s) and “penalty prices” are consistently applied among transmission customers and among various scenarios—and that this shall not change without prior notice and stakeholder input

In conclusion, CDWR-SWP opposes any market curtailment of ETC rights. Moreover, CDWR-SWP lacks sufficient information to provide a meaningful response, recommendations, useful suggestions or alternatives to address the concerns apparently identified in Parameter Tuning. Thus we recommend that the CAISO develop a more detailed and specific explanation of: i) the exact nature of the triggers and definition of the Parameter Tuning problem; ii) Parameter Tuning’s impacts on physical firm transmission rights and self-scheduled transmission customers; and iii) its affects on FERC/MRTU policy objectives of honoring ETC/CVR/TOR rights and encouraging long term firm power purchase contracting. To ensure a meaningful stakeholder

¹ *California Independent System Operator Corp.*, Docket No. ER06-615, CAISO MRTU Transmittal p. 72 (filed Feb. 9, 2006) available at <http://elibrary.ferc.gov/idmws/common/opennat.asp?fileID=10954348> (quoting FERC).

² The Draft Final Proposal at page 14 contains the parenthetical “(balanced demand and supply reduction)” with respect to TORs and ETCs. As noted herein, it is unduly discriminatory—not to mention contrary to the obligation to honor ETCs and TORs—to interrupt firm ETC or TOR loads without also interrupting other similarly situated firm loads.

process, CDWR-SWP requests that the CAISO provide answers to pending specific questions, and permit additional stakeholder consideration once such answers have been provided.