

**Comments of the California Department of Water Resources  
State Water Project on the CAISO’s August 17, 2006 Proposal:  
“Revised Ranking Criteria for proposed Market Design Changes”**

**August 23, 2006**

On August 17, 2006, the California Independent System Operator (CAISO) conducted a stakeholder meeting to present its proposal (August 17 Presentation) on revised ranking criteria for proposed post-MRTU Release 1 market design changes. The August 17 Presentation is a simplified and modified version of July 18 proposal and has five benefit and six feasibility criteria for ranking purpose. CDWR-SWP applauds the CAISO staff for taking the initiative as a MRTU refinement process. CDWR-SWP hereby submits comments to address some of its concerns.

1) CDWR-SWP believes that a market initiative that could be very important for the system operation and reliability should not be ruled out for further development merely because most stakeholders may not recognize immediate value on that initiative. For instance, under Section 1252(f) of the Energy Policy Act of 2005, it is “the policy of the United States that the benefits of such demand response [reacting to accurate price signals to load] that accrue to those not deploying such technology and devices, but who are part of the same regional electricity entity, shall be recognized.” Therefore, CDWR-SWP finds it objectionable to have “Desired by stakeholders” given the same level of importance as for Grid Reliability, Improving CAISO Market Efficiency, and Promote Efficient Infrastructure Development (slide 13 of August 17 Presentation). SWP believes “Desired by Stakeholders” should be assigned a reasonable weight of 5.

2) CDWR-SWP believes that process improvement is an important aspect of the market design; CDWR-SWP also believes that any market changes should try to remedy any existing undue burden and should minimize new burden to Scheduling Coordinators (SCs) so as to make operation simple and easy to implement. So the fifth criteria at slide 13 of August 17 Presentation should appear as follows:

- **Process Improvement (CAISO and Market Participants)-Assigned weighting of 5.**
  - ~~Less critical than other benefit criteria~~
  - **Related cost reductions captured in feasibility criteria**
  - **Remedies undue burden to SCs.**

3) According to paragraph 1) above, in the “High Level Prioritization Criteria” (slide 17 of August 17 Presentation), “Desired by stakeholders” should be replaced by the “Promote Efficient Infrastructure Development”. Owing to the fact that California electricity infrastructure is in need of transmission and generation investment and of

demand response for the efficient and reliable electric system, the designs that can provide transparent price signals and that are to “Promote Efficient Infrastructure Development” should be given higher priority. Additionally, the “High Level Prioritization Criteria” should be adjusted to ensure recognition of benefits of demand response, which under Section 1252(f) of the Energy Policy Act of 2005 must be identified as providing benefits to those market participants who may not engage in demand response themselves. Therefore, the content of the slide 17 of August 17 Presentation should appear as follows:

### **High Level Prioritization Criteria**

- **Benefit Criteria**
  - **Grid Reliability**
  - **Improving Market Efficiency Desired by (Combines an evaluation of both short-term and long-term market efficiency)**
  - ~~Stakeholders~~
  - **Promote Efficient Infrastructure Development**
  
- **Feasibility Criteria**
  - **Market Participants Implementation Impact**
  - **CAISO Implementation Impact**