

## Comments on RUC

of the Western Power Trading Forum and the Independent Energy Producers

12/18/08

WPTF and IEP offer these very brief comments on RUC in response to the CAISO's market notice of December 15.

- Submitting comments on the "issue" delineated in the December 15 Market Notice strikes us as odd, as our primary reaction is that it is, in fact, a non-issue; certainly, the CAISO has identified no issues.
- WPTF and IEP representatives have regularly reviewed the structured test information in general and have followed the RUC pricing in particular over the past two months, and we find no evidence based on the data or other ISO information suggesting that anything seems to be working improperly as indicated by SCE's presentation.<sup>1</sup> RUC is minimizing the cost of commitment, be it from less expensive partial RA capacity or, if needed, by committing additional units.
- WPTF and IEP believe that the CAISO's DMM should stand ready to assess and address market power issues related to RUC, and we are fully supportive that swift action be taken if there is evidence of the exercise of market power. However, there seems to be no evidence of the exercise of market power in RUC to date in the market sim, and the CAISO's Keith Casey confirmed that he believes there is not sufficient evidence to date to warrant any reconsideration by FERC at this time. Similarly the CAISO's other market design experts seem to find no deficiencies.
- RUC's availability payment was put in place for important reasons; RUC is the first backstop to RA procurement.
- The volume of non-RA capacity clearing RUC is low and the occurrences are not predictable by suppliers; the relative dollar impact of the availability payments is low.
- The idea of removing the transparency of RUC run results is inconsistent with all the principles upon which the CAISO markets are based.
- Markets certainly do influence one another. However, the idea of changing from an industry-recognized cost-minimization objective function, and instead minimizing prices of a single component, so that LSEs have leverage over suppliers in the bilateral market, is as (un)reasonable as the idea that the supply community would lobby the CAISO to change the

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<sup>1</sup> WPTF and IEP members are concerned about the negative RUC clearing prices that continue result from the Market Simulations runs, we are concerned that insufficient information has been made available to explain these issues and insufficient action to resolve these issues, and we believe that the negative prices do need to be addressed before MRTU start-up. Given, however, that the negative prices do not seem to be nature of the "issue" that SCE is trying to create, the balance of our comments refer to the positive price aspects of the RUC processes.

objective function to raise prices, so that suppliers have leverage over LSEs in the bilateral market.

- In short, RUC is not “fatally flawed” as suggested by SCE<sup>2</sup>. Human and time resources are short, and the RUC “issue” has not developed the widespread support needed to work its way to the top of the Road Map priority process. FERC has provided an opportunity for the CAISO to modify RUC should there be any evidence of market manipulation. Therefore, the CAISO should go forth with the course laid out to comply with the FERC MRTU Order, focusing instead on more critical start-up issues.

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<sup>2</sup> Id.