

City and County of San Francisco's Comments on the
Update to CAISO Draft Final Proposal On
Uneconomic Adjustment Policy and Parameter Values

October 23, 2008

San Francisco appreciates the opportunity to respond to the CAISO's new proposal for addressing ETC/TOR rights in its Update presented in the October 16, 2008 Update to CAISO Draft Final Proposal on Uneconomic Adjustment Policy and Parameter Values ("October 16 Update") as part of the on-going stakeholder process consideration of the "Parameter Tuning" proposals. In these Comments, San Francisco addresses the updated proposal to preserve balanced, valid Existing Transmission Contract (ETC) and Transmission Owner Rights (TOR) Self-Schedules in the Integrated Forward Market (IFM) without uneconomic adjustment when economic bids are insufficient to resolve congestion. Specifically, the CAISO now proposes to preserve the current MRTU Tariff's scheduling priority for ETC/TOR/CVR Self-Schedules by setting parameter values such that the CAISO would relax transmission constraints before ETC/TOR/CVR Self-Schedules could be adjusted in the IFM. The CAISO has stated that use of this mechanism will guarantee that ETC/TOR/CVR Self-Schedules will not be curtailed in the IFM.

San Francisco appreciates the CAISO's recognition of the need to honor scheduling priority as an integral part of honoring ETCs and TORs under MRTU. In particular, the October 16 Update recognizes both the need to honor ETC/TORs through preservation of scheduling priority and to minimize financial risk or imposition of

additional costs associated with adjustments made by the CAISO in order to benefit the market as a whole under MRTU.

In response to the CAISO's earlier proposal, San Francisco presented an alternative approach that would have preserved the ETC/TOR/CVR scheduling priority in the IFM through the use of the same Load Distribution Factors (LDFs) as are applicable to Default Load Aggregation Point (DLAP) for ETC/TOR Custom LAP (CLAP) scheduling and settlement. San Francisco still believes that this alternative approach best honors ETC/TOR rights and provides the CAISO with the tools necessary to resolve constraints under extreme and rare grid conditions. (See CCSF October 3, 2008 Comments and the September 25, 2008 Stakeholder Meeting Presentation of San Francisco Alternative to the CAISO Parameter Tuning Proposal.)

However, if the CAISO cannot implement San Francisco's approach at this time, then the October 16 Update appears to provide a far superior approach than the CAISO's original proposal and as such, San Francisco would support it.

However, a few clarifications are necessary. First, it is not clear whether the CAISO has tested the new parameter values in the market simulation exercises currently underway. San Francisco urges the CAISO to demonstrate that the policy approach articulated in the October 16 Update can in fact be implemented as intended. For this reason, San Francisco requests that the new values presented on pages 12-18 be tested as soon as is practicable so that the results can be examined and any unforeseen consequences can be identified and remedied before the MRTU "go live" date. This testing must take place in advance of the publication of final go-live values 45 days prior to "go-live" as referenced in the October 20, 2008 Management Memorandum to the

Board of Governors on the Decision on Uneconomic Adjustment Policy. The Memorandum states at page 2: “Finally, Management reiterates its commitment to publish final MRTU go-live values for the uneconomic adjustment parameters in the BPM no later than 45 days prior to go-live, and to incorporate these values into the MRTU software at that time for the final phase of market simulation and pre-production testing.” With the current, projected “go-live” date of January 31, 2009, the final parameter values could stand without testing until mid-December. This is unacceptable. All the new parameter values will have a profound impact on the market outcomes resulting from MRTU under the most difficult and challenging circumstances that will test the limits of the new system. It is not prudent to postpone testing of the new parameter values until a month and a half before “go-live.”

Second, the Updated Uneconomic Adjustment Parameter Values are presented in tables for the IFM (October 16 Update at pp. 12-13 and the RTM (October 16 Update at pp. 16-18.) For the IFM, the table includes a “Comment” column for TOR self-schedule and ETC self-schedule that includes the language “but may be adjusted as needed by CAISO operators.” (See, *Id.*, at page 13.) This sentence should be edited to recognize the CAISO’s obligation to implement ETCs and TORs as directed in the TRTC’s submitted in compliance with MRTU Tariff Section 16, et seq. requirements and any applicable contracts, either ETC’s or Operating Agreements between the CAISO and Transmission Owners with respect to TORs under MRTU Tariff Sections 17, et seq. In particular, the CAISO should edit the existing language to add the italicized language as follows:

“...but may be adjusted as needed by CAISO operators *consistent with TRTCs and other applicable agreements.*”

Similar language appears for the RTM “Comment” column of the Parameter Values Table. Currently, the language for both Real-Time TOR Self Schedule (page 16) and Real Time ETC Self Schedule (page 17) reads: “Schedules may be adjusted as needed to maintain reliability by CAISO operators.” San Francisco urges that these references be edited to add the italicized language to read: “Schedules may be adjusted as needed to maintain reliability by CAISO operators *consistent with TRTCs and other applicable agreements.*”