

Stakeholder Comments Template

**RI Phase 2 – Day-of Market 7/6/11 Initial Straw Proposal**

Submitted by	Company	Date Submitted
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This template is for submission of stakeholder comments on the topics listed below, covered in the RI Phase 2 – Day-of Market 7/6/11 Initial Straw Proposal posted on July 6, 2011, and issues discussed during the stakeholder meeting on July 11, 2011.

Please submit your comments below where indicated. Your comments on any aspect of this initiative are welcome. If you provide a preferred approach for a particular topic, your comments will be most useful if you provide the reasons and business case.

Please submit comments (in MS Word) to [phase2ri@caiso.com](mailto:phase2ri@caiso.com) no later than the close of business on July 22, 2011.

1. Please provide any comments on the ISO’s proposed schedule, timeline, or process for this stakeholder process.

CMUA Response: Consideration of operational and market reforms needed to better integrate intermittent resources is obviously a critical issue. CMUA understands that the CAISO already has experienced operational challenges associated with increasing reliance on intermittent resources and must plan for the need to integrate additional intermittent resources. However, the initial proposals in the CAISO Initial Straw Proposal are sweeping, complex and likely to be costly. Further, they will cause a reaction in market behavior that must be understood. This is particularly true on intertie issues, where the CAISO markets have a long and troubled history of making intertie bidding and scheduling rule changes that have unexpected thwarted supply, and therefore harmed California consumers. CMUA urges the CAISO to take prudent steps, perhaps including a logical phasing of market reforms, and support its proposed changes with the most rigorous analysis available.

2. Are there additional goals or operational challenges that the ISO should be addressing through this stakeholder process.

CMUA Response: CMUA does not have a position at this time.

3. Please indicate whether your organization agrees with the guiding principles listed in the straw proposal. If not, please indicate why not. If you would like to have other guiding principles added, please describe those additional principles.

CMUA Response: The Guiding Principles do not go far enough. CMUA is greatly concerned that the Guiding Principles do not include an explicit principle that reforms will be guided by the principle that cost responsibility track cost causation.

Explicit inclusion of a cost causation principle is critical for several reasons. First, not all resources on load serving entities place similar demands on the system. In order to appropriately attribute cost and provide price signals for investment decisions, the costs attributable to integration of resources needs to go to the resource owner or the load that contracts for the output of the resource. It is no response to this point to claim that these decisions are made in the CPUC procurement process, and as such the CAISO market signals are not necessary to inform investment decisions. In addition to the value that the CAISO market signals would have for the CPUC procurement process, a significant portion of CAISO load is not subject to CPUC jurisdiction and is not incorporated into their decisional process. Second, the supplier and the contractor for the intermittent resource output are in the best position to address operational issues caused by the resources, including incorporation of technological or forecasting tools that can ameliorate intermittency. Finally, basic principles of equity demand that costs allocation track causation. Entities outside the contracting parties do not cause or benefit from the integration efforts, and should not bear the costs.

That cost allocation tracks cost causation is a sufficiently important matter that it must be identified as a primary level principle.

4. Please provide your organization's views on any incremental ancillary services you believe are necessary to accommodate the intermittency of renewable resources.

CMUA Response: At this preliminary stage, CMUA members are supportive of the Real Time Imbalance Service described by the CAISO.

5. Does your organization believe that Residual Unit Commitment should be performed more granularly than daily (i.e. on-demand RUC)? Is on-demand RUC needed if the 15 minute unit commitment, either in RTED (Option A) or RTPD (Option B) looks forward 8-10 hours?

CMUA Response: CMUA does not have a position at this time.

6. Please provide your organization's views on replacing today's Hour Ahead Scheduling Process (HASP) for inter-ties with a simpler method that would not involve establishing separate hourly prices for the inter-ties and that would not include bid cost recovery. Please suggest proposals concerning what accommodations are necessary at the inter-ties to provide scheduling flexibility for western market entities.

CMUA Response: CMUA members have been troubled by the magnitude of the uplift costs associated with the persistent differences between HASP and Real-Time energy prices. However, changes to intertie scheduling rules are complex. As noted above, prior attempts to modify intertie scheduling rules without full coordination with neighboring systems have harmed consumers. In one instance, a neighboring Balancing Authority went so far as to prohibit schedules into the CAISO market across its system to respond to a more granular market and settlement interval.

CMUA agrees that intra-hour intertie scheduling should be pursued. However, because the CAISO is so heavily dependent upon imports, the success of the CAISO proposals is necessarily dependent upon concomitant increased scheduling flexibility across broader Western markets.

This issue deserves greater consideration and study as part of this ongoing process.

7. Does your organization prefer a two settlement market or a three settlement market? Please describe why.

CMUA Response: CMUA does not believe a three settlement market is desirable. The increased complexity and transaction costs necessary to implement this change are likely to outweigh any benefits.

8. Please provide your organization's feedback on the concept of a 1 minute Real Time Imbalance Service (RTIS).
  - a. Does your organization agree that with RTIS, regulation should be changed to a bi-directional service?
  - b. Is one minute the correct dispatch interval for RTIS?

- c. How should RTIS be bid, selected, and dispatched? Should a mileage bid be used for dispatch with a market clearing mileage price determined each minute?
- d. Does your organization’s opinion on RTIS differ depending on whether Option A or Option B is chosen?

CMUA Response: CMUA has no position at this time. As the CAISO is well aware, a substantial portion of the California generation fleet is use-limited. Although more granular market products may provide desirable operational flexibility in concept, the stakeholder process must include a critical analysis of the availability of resources to provide services in the more granular markets. As a starting point, it would be helpful if the ISO could specify in detail the operating characteristics of the resources that could participate in the RTIS market.

- 9. Please comment on your organization’s preference for Option A or Option B with regard to the real time market. If neither option is feasible in your view, please provide input on how the real time market should be configured.
  - a. Would 15 minute real time prices enable price responsive demand or demand response?
  - b. In Option A, with 15 minute RTED, what is your organization’s opinion about a 10 minute ramp period?

CMUA Response: CMUA has no position at this time.

- 10. How often should renewable resources be allowed to schedule?
  - a. In Option A does every 15 minutes make sense?
  - b. In Option B should renewable generation be able to schedule every 5 minutes, 15 minutes, or some other time interval?
  - c. Does it make sense to limit this scheduling opportunity to only renewable resources, or should it apply more generally? Who should be able to schedule more granularly than hourly?

CMUA Response: CMUA has no position at this time.

- 11. Please provide any other comments your organization would like the CAISO to consider through this initiative.

CMUA Response: CMUA has no additional positions to express at this time.