

Stakeholder Comments Template

Subject: Setting Parameter Values for Uneconomic Adjustments

Submitted by	Company	Date Submitted
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This template has been created for submission of stakeholder comments on the following topics covered in the July 31 Market Notice regarding Setting Parameter Values for Uneconomic Adjustments. Upon completion of this template please submit (in MS Word) to chinman@caiso.com. Submissions are requested by close of business on August 6, 2008.

Please submit your comments to the following questions for each topic in the spaces indicated.

1. Please propose or comment on the appropriate principles or rules for setting prices in the Real Time Dispatch when supply is insufficient to meet the CAISO demand forecast.

CPUC staff appreciates the complexity involved in determining the proper penalty price parameters for both the scheduling and pricing runs. We would like to thank the CAISO staff for their diligence in and dedication to resolving these issues and their willingness to accept stakeholder input.

CPUC staff generally supports the penalty prices proposed to establish scheduling priorities in the scheduling run. Furthermore, many of the pricing run parameters seem reasonable. However, the extremely high penalty parameters amount to the administratively set scarcity prices.¹ CPUC staff believes there are other ways to solve scarcity beyond the use of these penalty parameters. In the short term, CPUC staff would support alternative solutions to the currently proposed penalty parameters. In the CAISO's Parameter Tuning Draft Final Proposal² and again at the June 30, 2008 Joint MSC Stakeholder Meeting, CAISO staff explained how A/S scarcity would be addressed pre-MAP (after which the A/S Scarcity Pricing design CAISO is developing will govern A/S shortages). Instead of allowing the penalty parameters to create administratively set scarcity prices, CPUC staff supports using a mechanism similar to the one described for A/S shortages for energy shortages, when economic bid information is available as well. CPUC staff therefore suggests readjusting the

¹ Of note are the penalty parameters for market energy imbalance (\$1500), intertie scheduling (\$7000), and branch, corridor, nomogram (\$1500, \$5000).

² "Setting Parameter Values for Uneconomic Adjustments in the MRTU Market Optimizations" 7/23/2008, pages 3-4.

A/S and/or energy requirement between the scheduling run and the pricing run and, for any shortages, utilizing contingency reserves priced at the cap (and eligible to set the LMP even if the LMP exceeds \$500). This would provide for outcomes that more closely resemble the market outcomes that were expected from MRTU until a more permanent solution for administrative scarcity pricing of this type can be worked out for MAP. However, prior to implementing such a policy, CPUC staff requests additional information regarding the manner and means used to procure the balance of any additional resources.³ Ultimately, CPUC staff supports a transparent stakeholder process as a means of establishing any administrative scarcity prices.

One notable problem with the solution offered by CPUC staff relates to transmission scarcity. Because transmission congestion has no bid-in economic value in the IFM or RTM, the above solution may not work. CPUC staff is still assessing alternative solutions to these problems and will let you know the outcome of any evaluation.

2. Multiple priority levels for ETCs. The CAISO believes that MRTU Tariff Section 16.4.5 (8) adequately covers possible priority differences for ETCs, i.e., that the service types identified in this section are the only relevant basis for establishing different priority levels in the MRTU software for ETCs. Parties are asked to comment on whether they agree with this assessment, or if not, to specify any further needs that must be addressed.

CPUC staff appreciates the ISO's presentation at the MSC meeting on Day-Ahead parameter settings and assessment regarding ETC/TORs. CPUC staff understands that the CAISO will be holding further discussions on this issue in the future. CPUC staff looks forward to participating in future discussions on priority levels for ETCs.

3. Parties are asked to describe any specific types of test cases they would like the CAISO to run and analyze in relation to the parameter tuning effort. Please explain the proposed case in enough detail to make it clear what question or issue is being addressed. In addition, please identify any particular Market Simulation cases you have encountered in the Market Simulation process and believe are important to examine for parameter tuning issues, and explain the relevance of such cases.

CPUC staff has no comment on these matters at this time.

4. Other

CAISO should have sufficient information from the market simulations and scenario testing to be able to provide market participants with aggregated data that shows market participants how often the penalty parameters are determining the LMP in the market. CPUC staff requests that CAISO provide general information regarding the frequency with which the

³ Of particular concern at the time of this submission is the final outcome of the CAISO's Exceptional Dispatch proposal as filed at FERC. Because Exceptional Dispatch may be a tool CAISO will utilize to procure additional resources, FERC's final decision on that matter will have a strong bearing on this initiative.

penalty parameters are setting the LMP to allow market participants to determine the magnitude of any problems that might arise from using penalty parameters.