

J.P. Morgan Comments on the CAISO's Setting IFM Initial Conditions to Address Cycling of Generating Units Proposal

Submitted by	Company	Date Submitted
<i>Steve Greenleaf (916) 802-5420</i>	<i>J.P. Morgan</i>	<i>June 18, 2010</i>

J.P. Morgan Ventures Energy Corporation and BE CA, LLC (collectively, "J.P. Morgan") appreciates this opportunity to provide comments on the California ISO's (CAISO's) June 3, 2010, Setting IFM Initial Conditions to Address Cycling of Generating Units Proposal.

J.P. Morgan supports the CAISO's effort to reduce unit cycling. On a long-term basis, J.P. Morgan agrees with the CAISO that implementing a multi-day unit commitment functionality is the best means to address this issue. J.P. Morgan also agrees with the CAISO's effort to examine the implementation of a 72-Hour Residual Unit Commitment as an interim measure until the multi-day unit commitment functionality is implemented. With those mid-term and long-term efforts in mind, J.P. Morgan supports the CAISO's proposal to use participant self-schedules to bridge between CAISO market commitments and allow a resource to have its initial condition for the Integrated Forward Market be set to "on-line".

Under the CAISO's proposal the CAISO's IFM initial conditions processor will first evaluate which resources are de-committed through the market before the end of the current day's 24-hour time horizon. The CAISO's processor will then search the CAISO's scheduling system (SIBR) for any Real Time Market (RTM) self-schedules submitted by a participant for the remaining hours of the previous day's DAM time horizon. If the CAISO determines that any identified RTM self-schedules bridge the commitment period from the previous day's DAM, then the initial conditions for that resource will be set to "on-line" for the next day's IFM.

J.P. Morgan supports this relatively simple and straightforward short-term and interim proposal for addressing resource cycling issues. J.P. Morgan requests two clarifications. First, J.P. Morgan requests that the CAISO clarify and confirm a participant's ability to back out of a submitted self-schedule should its resource not receive a market commitment for the next day's IFM. Such ability is necessary in order to mitigate a participant's price risk associated with a self-schedule no longer needed to bridge between market commitments. Second, J.P. Morgan requests that the CAISO clarify the circumstances in which it will "turn off" this functionality. As understood by J.P. Morgan, the CAISO may turn off this functionality to address over-generation and/or reliability issues. J.P. Morgan requests that the CAISO clarify whether there are circumstances, e.g.,

local reliability issues, where the CAISO would not accept bridging self-schedules for a specific resource because it would exacerbate a local reliability issue, but would accept bridging self-schedules for other resources that would not impact the reliability issue. J.P. Morgan supports the CAISO's intent to establish a non-discriminatory approach to addressing over-generation and/or reliability issues.

J.P. Morgan appreciates this opportunity to provide comments on the CAISO's Setting IFM Initial Conditions to Address Cycling of Generating Units proposal.