

Comments of
The Metropolitan Water District of Southern California
On the CAISO's June 9, 2008 Draft Final Proposal
Regarding Parameter Tuning
June 24, 2008

The Metropolitan Water District of Southern California (Metropolitan) hereby submits comments on the CAISO's June 9, 2008 Draft Final Proposal on "*Parameter Tuning for Uneconomic Adjustments in the MRTU Market Optimizations*." Metropolitan is sympathetic to the CAISO's identified need to resolve Self-Schedules in a rational manner when it lacks sufficient economic bids. However, Metropolitan has concerns with certain aspects of the CAISO's Draft Final Proposal as discussed below.

Market Participants Need a Better Understanding of the Circumstances in which Uneconomic Adjustments May Affect ETC and TOR Self-Schedules

Metropolitan appreciates the challenge the CAISO may experience if it exhausts economic bids, or what might be considered ineffective economic bids (e.g., the CAISO has proposed to apply a 10% minimum efficacy requirement to Economic Bids in its scheduling run) and still is unable to remedy a transmission constraint or LAP Demand clearing problem. Nevertheless, Metropolitan has difficulty comprehending the circumstances under which ETC and TOR Self-Schedules may be subject to Uneconomic Adjustment given their relative priority under MRTU Tariff Section 31.4. As that section provides, the CAISO shall respect Self-Schedules "to the maximum extent possible," and if Economic Bids are exhausted in the IFM, Self-Schedules will be subject to uneconomic adjustments in the following order:

1. Self-Schedules of Supply reduction;
2. Day-Ahead Regulatory Must-run Generation and Regulatory Must-Take Generation reduction;
3. Exports at Scheduling Points not explicitly sourced by non-Resource Adequacy Capacity (with a noted exception);
4. CAISO Demand reduction subject to Section 31.3.1.3, exports explicitly identified in a Resource Adequacy Plan to be served by Resource Adequacy Capacity explicitly identified and lined in a Supply Plan to the exports, and Self-Schedules of exports at Scheduling Points explicitly sourced by non-Resource Adequacy Capacity;
5. Day-Ahead ETC Self-Schedules (balanced demand and supply reduction);
6. Day-Ahead TOR Self-Schedules (balanced demand and supply reduction); and
7. Reliability Must Run (RMR) Generation pre-dispatch reduction.

Comments of The Metropolitan Water District re Parameter Tuning

If the CAISO is correct in concluding that the circumstances under which Economic Bids will be insufficient are indeed “rare,” it is unclear whether the CAISO will be unable to resolve a transmission constraint by its Uneconomic Adjustment to the Self-Schedules in categories 1-4 before affecting Day-Ahead ETC Self-Schedules (category 5) and Day-Ahead TOR Self-Schedules (category 6). The Draft Final Proposal provides no discussion of the extent to which the CAISO has been required in testing conducted to date to adjust any Self-Schedules, let alone those its Tariff accords highest priority in categories 5 and 6. Indeed, Metropolitan questions the circumstances under which the CAISO could exhaust the Self-Schedules in categories 1-4 above that wouldn’t also qualify as a System Emergency. Metropolitan urges the CAISO to identify in detail exactly what steps it has been required to take pursuant to MRTU Tariff Sections 31.4 and 31.3.1.3 in market simulation testing, and under what conditions, so that market participants may more intelligently understand the CAISO’s parameter tuning proposal and how it may affect them.

In addition, the CAISO’s combined discussion of reduction of LAP Demand and Uneconomic Adjustments in the IFM at pp. 14-18 of the Draft Final Proposal may lead the reader to conclude that the CAISO intends to utilize the scheduling priorities set forth in MRTU Section 31.4 (including adjustment to ETC and TOR Self-Schedules) to resolve a problem clearing LAP Demand. If true, that would appear to conflict with MRTU Section 30.5.3.2, which provides that valid ETC and TOR Self-Schedules are an exception to the otherwise applicable rule that Demand Bids are settled at the LAP. If such Self-Schedules are settled outside the LAP, they obviously shouldn’t be adjusted to resolve a LAP Demand clearing problem in the IFM.

The CAISO Should Publish Scheduling and Pricing Run Parameters in the Tariff

Metropolitan notes that all, or nearly all, of the parties submitting comments on the Draft Final Proposal support transparent identification of the scheduling and pricing run parameters in the Tariff. Such parameters appear to clearly affect the rates, terms, and conditions of CAISO Tariff service, and thus be subject to Commission review under the Federal Power Act. Publication of the parameters affecting the CAISO’s commitment to honor ETC and TOR rights is important to assure such rightholders that their Self-Schedules are being honored in accordance with Tariff requirements.

The CAISO Should Release Implementing Tariff Text as Soon as Possible

Metropolitan urges the CAISO to release for stakeholder comment its draft Tariff parameter tuning text as soon as possible to aid understanding of the CAISO’s proposal and how it may affect market participants.