CALIFORNIA ISO

California Independent
System Operator

Appendix B

Appendix to the Approval on MRTU Issues Resolution for November 2005 Tariff Filing Memo dated October 12, 2005

Stakeholder Comments as of October 6, 2005
and Issues Disposition Matrix

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Stakeholder Comments as of Oct 6, 2005 and Issues Disposition Matrix

Issue or Topic Area	Comment or Recommendation	Disposition of Comment
Resource Adequacy / MRTU Integration Issues		
1.Partial Resource Adequacy (RA) Units The ISO initially proposed that RA units would be treated as "whole units."	Both LSE and Seller stakeholders universally felt that it was essential that the MRTU systems allow for a unit to be split between the "RA portion" and the "non-RA portion."	ISO proposal changed after stakeholder input. The ISO agrees and is working with the vendor to change the design to allow a single SC to offer part of the capacity of a resource to meet its RA-based obligation, whilst other parts remain uncommitted. The ISO is targeting this change for release 1.
2.Use-Limited RA Resources (ULR) The ISO initially proposed a must offer obligation for a ULR would be implemented like any other RA resource, subject to its limits. ULRs would offer their daily capacity with a bid or self-schedule in day ahead market for a minimum of those hours for which they qualified as an RA resource. ULRs may satisfy additional offer obligations; e.g. short-start resources available during peak-hours with a contingency flag to preserve its limited energy capability. A ULR will only be requested to reschedule its energy in real-time if necessary for system reliability. Sellers can self manage their ULRs through a Use Plan provided to the ISO.	LSEs were concerned that the ISO would prematurely burn through the limited number of valuable hours that a resource can operate. Further, the ISO might dispatch the unit above its stated use-limit. Additionally, it would also be difficult to develop a Use Plan early in the operating season thus it should only be advisory.	ISO proposal changed after stakeholder input. The ISO agreed that its dispatches should not exceed the number of MWhs per day established in the RA obligation and the Use Plan. The Use Plan is advisory and can be updated as necessary. ISO software will optimize use of the resource within its stated capabilities.
3. Short-Start Resource Adequacy Units The ISO proposed that Must Offer Obligation (MOO) of short start RA units would not expire after the day ahead market, rather the obligation would extend into real-time.	Sellers were generally uncomfortable and some even strongly opposed the stringency and extent of the obligations for short-start units (extending into RT) Both SCE and PG&E supported the ISO	In response to stakeholders, ISO is exploring ways to notify some portion of units of release from real-time MOO. The ISO will establish a clear Must Offer Obligation for resources to be available for dispatch through real-time to

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Compensation would be provided through bilateral contracts between LSEs and suppliers. Units would have to self-schedule or offer into the Hour-Ahead Scheduling Process (HASP) and real-time (RT) for each hour of operating day, and the ISO would develop a post DA manual release mechanism.	position.	ensure grid reliability, subject to CPUC inclusion of this requirement into its RA requirements. The ISO believes most of these requirements will already be satisfied under locational reliability requirements included in past CPUC orders. A process for potentially releasing some portion of these units from MOO is being evaluated as part of ISO processes upon MRTU implementation.
4. Partially Dispatched Units The ISO proposed that the must offer obligation would extend into real-time for RA units that are committed, but only partially dispatched in the day ahead market, and that the remaining undispatched RA capacity would continue to be offered into real-time similar to Short Start resources.	Sellers of RA resources requested specific information on ➢ How such an obligation beyond day ahead would be implemented ➢ Scheduling options available to maximize value of unit into real-time. ➢ A release mechanism for units.	ISO demonstrated where flexibility is retained under a real-time obligation. The ISO will explore the development of a release mechanism. In addition, ISO provided information about how SCs may revise day ahead energy bids for that portion of the capacity not scheduled in the day ahead process as well as submit bids to export energy after the day ahead as ways to manage their real-time obligation.
5. Multi-Day Horizon-Unit Commitment The ISO initially proposed, for resources whose cold start time ranges for a long time period, that it would utilize an ad-hoc operator procedure to commit such resources.	LSEs were concerned that the MRTU commitment process in Release 1 does not look out far enough into the operational profile of a unit; hence it cannot make the most cost effective commitment. They wanted a further look-ahead that was built into the program, rather than an ad-hoc process.	ISO proposal changed after stakeholder input. The ISO explored options to address concerns and will use the current features of RUC in Release 1 to make commitment decisions. The ISO will consider a multi-day unit commitment IFM and/or longer RUC commitment in Release 2.
6. RA Imports The ISO proposed that the must offer obligation on import RA would depend on temporal constraints associated with the import similar to the short start/long start unit distinction.	Sellers and LSEs requested clarification on how imports would be accommodated under MRTU with specific focus on multi-hour block resources.	ISO proposal was modified after stakeholder discussion. The ISO clarified that where an import could be dispatched in hourly increments, it would be treated like a short start unit; i.e. has MOO on DA and HASP/RT. When a RA import is a multi-hour block, it will have no further obligation if it is not cleared in the Integrated Forward Market (IFM) and not designated as RUC capacity. Multi-hour block imports must be

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		capable of hourly selection if not scheduled or fully committed in IFM process. If a block resource were selected in RUC, the resource must be dispatchable in those hours in HASP and RT.
7. Exports The ISO proposed a MRTU design that provided flexibility to RA resources to value their capacity and energy, but not thru firm wheelouts.	Both LSEs and sellers requested clarification on how exports are accommodated under MRTU, including the circumstances under which such export transactions can be considered firm.	The ISO clarified its position. The ISO described how MRTU offers significant flexibility for parties to sell their output outside ISO control area. There is no restriction on exports in the day-ahead market. In HASP and real-time, exports can bid to purchase energy (up to the bid cap).
8. Non-CPUC Jurisdictional Entities ISO proposed that the local regulatory authority be given deference.	CPUC jurisdictional entities are concerned that RA should be identical.	ISO has worked to accommodate this request. ISO is continuing to discuss alternatives to ensure comparable requirements. The specific tariff provisions will be made available as part of the final tariff approval process.
Transmission Rights Issues		
9. CRR Allocation for Load Outside the CAISO Control Area The key policy issue is whether Congestion Revenue Rights (CRRs) should be allocated to entities serving load outside the ISO control area in a manner analogous to LSEs serving load inside the control area?	Entities that serve load outside the CAISO control area, including SMUD and the City of Roseville, have argued that they support the embedded costs of the CAISO grid and should be allocated CRRs in a manner analogous to LSEs serving load inside the control area. Other parties, including SCE and the CPUC staff, argue that LSEs with external load are differently situated to LSEs with internal load and therefore should not be entitled to CRR allocation.	ISO accommodated stakeholder requests with rules to allocate CRR's to load outside control area. ISO proposes to allow LSEs that serve load outside the control area to request CRRs through the same allocation process the ISO performs for LSEs with internal load, but only in exchange for pre-paying the access charge for the period for which the requested CRR is valid, and only from their CRR sources within the control area. The ISO believes that with the prepayment obligation, the external load is being treated consistent with its obligation to pay for the fixed costs of transmission. ISO's proposal is consistent with provisions approved by FERC for ISO-NE.
10. CRRs for Merchant Transmission Currently the costs for building new	1. Calpine supports merchant transmission developers having a	The principles outlined by the ISO would allocate Merchant Transmission (MT) CRRs for

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upgrades or additions to the ISO Controlled Grid are recovered by either (a) rolling into participating transmission owner's access charges, (b) receipt of CRR's, or (c) reimbursement over a period of time for the full amount of investment. The issue involves the principles for allocation of CRRs to entities who elect option (b).	choice between the current monetary reimbursement mechanism (c) or the allocation of CRRs (b). 2. FPL has raised concerns about the treatment of its transmission upgrade project currently in operation, and the transition of their awarded FTRs to CRRs. 3. SCE raises concern that the award of CRRs for the life of the upgrade could impact other CRRs awarded to LSEs through load growth or other changes after the initial determination to merchant transmission developers.	the incremental amount of transfer capability for the life of the facilities or 30 years, whichever is less. 1. The ISO has previously stated its intention to phase out the monetary credit-back mechanism (c) with MRTU implementation, but this position could be reviewed in the context of the timing for the MT CRR allocation 2. The ISO will explore ways to convert FPL's rights. 3. These are valid issues that the ISO and stakeholder should consider further. The ISO intends to include general tariff language regarding MT-CRRs while developing more detailed processes in consultation with stakeholders.
11. CRR Allocation to Internal Load Serving Entities (CRR-LSE) The ISO engaged an intensive review with stakeholders over a six month period to develop an equitable set of rules for allocating CRRs, financial instruments that allow Load-Serving Entities to hedge congestion costs. Stakeholders focused on the principles for allocating CRRs and the key trade-offs involved in designing these rules. Practices of other ISOs were closely examined in this process.	Extensive stakeholder participation, with focus on these key trade-offs: • auction versus allocation • greater versus more restricted eligibility for CRRs • frequency of CRR term versus certainty of hedge • verification of CRR nominations by ISO versus greater choice for participants • grandfathering of established CRRs versus frequent new allocations • shifting CRRs between LSEs as retail load shifts retail suppliers. At the September 22 joint MSC/Board meeting, a suggestion was made to consider a "pro rata" allocation alternative for the potential simplification it might achieve.	The ISO is proposing the CRR allocation rules determined by the majority of the load to be most equitable, since there are no reliability impacts of CRR allocation rules, and any market efficiency impacts can readily be addressed. The ISO has developed an approach with stakeholders that it believes is a fair balance among multiple objectives and diverse interests that should provide a reasonable and practicable hedge for eligible LSEs. Further simplification may occur as participants become more comfortable with all facets of MRTU practices. In summary, the ISO proposes: • allocation of seasonal and monthly CRRs to LSEs, followed by auction processes open to all participants • ability of LSEs to request CRRs they expect to provide most effective hedge against congestion costs • initial verification by ISO that the CRRs

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		requested reflect the historic use of the grid • grandfathering (renewal) of CRRs after initial allocation to allow multi-year certainty and eliminate ISO verification after year 1. ISO recently adopted quantity limits of 25% on grandfathering to address stakeholder concerns. • clear processes for gaining or losing CRRs as retail load migrates or grows.
12. Existing Transmission Contracts: Settlement Treatment for Losses The ISO initially proposed to charge ETC schedules for marginal losses just like other schedules.	Many ETCs holders pointed out they would not benefit from the process for refunding the over-collection of marginal losses.	ISO proposal changed after stakeholder input. The ISO proposal changed after stakeholder input in the way it will refund excess revenues associated with losses. All Scheduling Coordinators will receive a pro rata share of the excess revenues for each settlement period (based on all demand including ETC schedules). Thus, all Scheduling Coordinators (including ETC holders) will get a share of the refunds, and this will occur faster and more frequently.
13. Existing Transmission Contracts: Settlement Treatment on Charges other than Congestion or Losses Some ETC holders sought clarification about what charge types would or would not apply to ETC schedules.	ETC stakeholders requested that the CAISO provide a complete description of its charges to ETC holders so that they may judge whether they should be paying for these charges under the ETCs.	The ISO clarified that ETC schedules would continue to be exempt from access charges under MRTU. The ISO does provide complete information to anyone who is paying the ISO charges. The ISO also pointed out that the potential exemption of ETC schedules from a portion of GMC under MRTU would be covered in the GMC stakeholder meetings.
14. Existing Transmission Contracts: Validation The ISO proposed to rely upon the Participating Transmission Owners (PTOs) to provide data files so the CAISO can automatically confirm that ETC schedules and schedule changes are within their	Several stakeholders requested further clarifying details about the ETC validation process. In addition some stakeholders maintained that the PTOs should provide the priorities, nomograms, charts or software programs related to ETC rights to the	The ISO clarified its position; PTO data files provided to the ISO should include all necessary information to verify the proper treatment of ETCs when transmission capacity is reduced, and that PTOs should share this information with ETC holders.

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contractual parameters.	ISO so the ISO can properly treat the ETCs during de-rates or other system emergencies.	
15. ETC: Inter-SC Trades Since the July 2003 MRTU filing the ISO has changed the way ETCs are protected from congestion charges and restricted the settlement of Inter-SC Trades of Energy in ISO's markets in view of the seller's choice settlement. This has created some questions regarding scheduling when an ETC holder either 1. does not know the ultimate source or sink of an ETC/TOR schedule or 2. has contract obligations to transact at a specific location that is different than the LAP, Trading Hub or Generation Node contemplated under MRTU.	Many stakeholders who are not party to the seller's choice contracts prefer to use the ISO settlement system to settle their bilateral arrangements regardless of their contractual handoff locations. The ISO design presently provides settlement services only for physical Inter-SC Trades and for Inter-SC Trades at the predefined hubs.	1. To facilitate this issue, the ISO has designed multiple eligible sources and sinks defined in the Master File, which will be used by the SIBR and IFM system in the ETC/TOR schedule validation process. 2. A bi-lateral transaction outside of ISO markets would be necessary to schedule an ETC or TOR at a location that is different than the LAP, Trading Hub or Generation Node. The ISO strongly encourages such arrangements where appropriate. Due to restrictions resulting from the Sellers' Choice Settlement, the ISO is reluctant to expand the eligible nodes that SCs can perform inter-SC trades beyond the trading hub, LAP and generator node at this time.
16. ETC: Resale of ETC Rights ETC holders want to be able to sell ETC rights to third parties and have the ISO system track the resultant schedule via the ETC identifier number. The ISO's expected treatment of ETCs under MRTU does not address this situation.	Parties are seeking flexibility in the software upgrades and the MRTU rules to facilitate exchanges or sales of ETC rights.	The ISO considered development of a Secondary Registration System functionality that would track changes in sources and sinks and parties eligible to receive the congestion hedge with the agreement of both contract parties. Although such functionality might be possible and could be considered for Release 2, it is infeasible for Release 1. If there is an absolute need to support resale of ETCs in Release 1, the ISO may be able to support a process whereby the ETC holder would identify all parties' sources and sinks that have ability to use scheduling rights as Master-File data. While this functionality may become administratively limited and would not be workable if there are frequent changes to the eligible sources and sinks, it does provide some

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		ability to support resale of the physical rights. Obviously both the TO and ETC holder would have to agree that right is eligible for transfer. Incidentally, a similar functionality could be considered for TORs. However, for a TOR the TO and the right holder are the same and the agreement of the TO and the rights holder is moot.
17. Transmission Ownership Rights A Transmission Ownership Right (TOR) is a right to utilize transmission facilities that are located within the ISO Control Area but are either wholly or partially owned by an entity that is not a Participating Transmission Owner (PTOs)	The ISO sought comments from the five TOR entities expected to be within the ISO Control Area in February, 2007.	The ISO indicated that generally the scheduling and settlement treatment for TORs under MRTU would be similar (but not identical) to the treatment of ETCs, although some entities may be subject to separate agreements that are specific to their TOR facilities.
Market Power Mitigation Issues		
18. Competitive Path Assessment The ISO and the stakeholders worked out the proposal jointly in stakeholder work groups. While there was broad support for the general methodology, on some detailed design issues the stakeholders were widely apart. The proposal is as follows: 1. Core methodology: Pivotal analysis based on Feasibility Index method 2. Criterion: No 3-jointly pivotal suppliers (No 2-jointly pivotal suppliers when price movement screen is developed) 3. Retain existing inter-zonal paths as competitive 4. New candidate competitive paths selected based on 500 hours or more of annual congestion 5. Account for long-term contracts filed with FERC for market-based rate authority	1. Broad support from stakeholders. 2. Widespread positions: Sellers want fewer pivotal suppliers; some IOUs want 3-jointly pivotal suppliers with price movement screen. MSC recommends designating the existing zonal transmission paths as the only competitive paths during the initial year of operation. 3. No objection 4. Widespread positions: Sellers want all paths to be candidates; some UDCs want even more restrictive criteria 5. General agreement except from suppliers. Sellers want all contracts to count.	Issue 2 seems to be of primary concern to many parties (including MSC and some Board members). The ISO is conducting preliminary tests on a small (17 node) system to address these concerns to the extent possible within the next few weeks. However, the fact that current inter-zonal paths are retained as competitive (#3) may alleviate some of the concerns. The initial study targeted to be competed by Fall 2006.

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19. Frequently Mitigated Units The ISO proposed 1. Unit is FMU if mitigated > 80% run hrs and must have > 200 run hrs in 12-mo. 2. FMU eligible for Bid Adder if (a) no capacity contract (RA or ISO) and (b) choose cost-based DEB. 3. Default Bid Adder based on avoidable costs of existing CT. 4. Participant can choose a consultative unit-specific Bid Adder.	In general, LSEs and the MSC were not in favor of a Bid Adder due to inefficiencies introduced into the LMPs. Suppliers were in favor of a Bid Adder to help insure cost recovery in light of bid mitigation via LMPM. 1. Suppliers expressed concern that 80% mitigation and 200 run hour thresholds are too high. 2. LSEs and MSC felt Bid Adder is inefficient and distorts market prices. Suppliers expressed Bid Adder should be offered to partially-contracted RA units. 3. Suppliers felt cost basis for Bid Adder should include all fixed costs, not just avoidable costs. 4. LSE asked if participant would consult with CAISO, an Independent Entity, or with FERC?	1. The ISO retained the 80% mitigation threshold, same as PJM. The 200 run hour threshold is necessary to avoid market distortions from units that do not run frequently enough for cost recovery even without mitigation. 2. ISO agrees with comment on inefficiency, but believes that the bid adder should be implemented in release 1 to comply with FERC guidance. ISO has also made accommodation for partially-contracted RA units to receive a scaled Bid Adder. 3. Avoidable costs recovery via Bid Adder will make unit owner whole for not retiring unit during that period. ISO agrees subsequent unit retirement may be warranted. 4. Consultation will take place between the participant and the ISO or a designated Independent Entity.
20. Default Energy Bids Under PJM style market power mitigation, generator bids that are identified as having potential market power are mitigated to what is termed “Default Energy Bids” or DEBs. These DEBs are administratively-set bid curves set in either of three ways. ➢ Variable cost + 10%. ➢ A weighted average LMP based on the lowest quartile of LMPs set at the unit location during hours in the last 90 days ➢ Amount negotiated with the Independent Entity. **Concerning the Variable Cost Option** • Both Settlement and Dispatch will be based on the Dispatch Gas Index, a proxy, rather than an Actual Gas Index.	1. Sellers wanted dispatch and settlement to be on the Actual Gas Index. 2. WPTF and Dynegy wanted a real-time premium over the day ahead gas price for real-time dispatch. 3. Sellers (WPTF, Coral, Dynegy) wanted the default energy bid to reflect Operational Flow Order days. 4. Sellers were also opposed to revisiting the O&M adder. LSE representatives believe that it should be revisited. 5. WPTF did not like the shift from all LMPs to the lowest quartile of LMPs for the LMP option.	1. This was logistically infeasible. Coral suggested use of the ICE index, but that index also is not published in time for the day ahead market. 2. As there is already a 10% adder, the ISO declined to insert another adder. 3. The ISO believes that pipeline underpressure days are too infrequent to warrant a change in the methodology. 4. The ISO has retained its proposed changes to the default values as they better reflect the actual O&M values 5. The ISO believes that this is the only method of implementation that will allow for the LMP option to conform with the overall purpose of mitigation.

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• The DGI will be the most recent average of four gas indices and will include proxy figures for intra-state gas transport costs, but not municipal use fees. • The default value for variable O&M for all units to be set at $2, except for Combustion Turbines (using any fuel type) and Reciprocating Engines, which would have a default of $4. **Concerning the LMP Option** the average will be an average of the lowest quartile of all LMPs regardless of whether the LMP is affected by local market power bid mitigation.		
Spot Market Issues		
21. Inter-Schedule Coordinator Trade of ancillary services The ISO initially proposed 1. Moving from trading Fixed Quantities to trading Load Obligations 2. No longer strip imports of their A/S when imported by a no-load SC 3. Allow negative load obligation	1. Calpine, NCPA and SCE amongst others did not support the original proposal, and generators generally disliked it. 2. No Comments 3. Supported by importers and opposed by load serving entities and some internal sellers.	ISO proposal changed after stakeholder input. 1. The ISO changed its proposal due to stakeholder concerns, and will allow for the trade of fixed quantities under MRTU. 2. No Comments 3. Imported power reduces the ISO's procurement of reserves, regardless of whether or not the importing party has load or sells the energy to an LSE. This reduction in procurement occurs in a similar manner to over-self provision and the proposed payout to importers at the user rate is exactly the same as the current longstanding payout to internal generators who reduce the ISO's procurement by over self-providing. The ISO believes that its proposal is consistent with cost causation and the equal treatment of similarly situated resources. Note: Since the ISO targets 100% of its A/S procurement in the day-ahead IFM, the ISO may limit negative A/S obligation credit to

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		the day-ahead firm imports (that are actually scheduled in real-time).
22. Participating Intermittent Resources Program (PIRP) with MRTU The initial ISO proposal proposed: 1. All Intermittent Resources were required to submit a DA schedule for RA obligations (day-ahead must offer, MOO). 2. PIRP Exports must be limited 3. Intermittent Resources in PIRP submit HA schedules = Forecast Service Provider's (FSP) in HASP	1. No one supported a Day-Ahead must offer obligation (MOO) for PIRP-RA. To accommodate this request, the ISO suggested not having such resources schedule in the day-ahead IFM, but accounting for them when making a RUC decision. SCE then objected to not having intermittent resources in day-ahead IFM. Some PIR entities remain concerned about exposure to the cost differences between Day Ahead and HASP. 2. Stakeholders commented that this topic needed more clarification and disagreed with the concept. 3. Would like to be able to bid rather than self-schedule.	1. ISO now recommends that the intermittent resources may schedule Day-Ahead if the SC or the LSE for which the resource is providing RA capacity chooses to do so. However, when making RUC decisions, the ISO will adjust RUC procurement considering both PIRP schedules and forecasts. In HASP PIRP must be scheduled consistently with the Forecasting Service Provider (FSP) forecast. By complying with this HASP scheduling requirement the PIRP resource receives all the benefits that exist today under the PIRP. DA PIRP schedules will be settled at the DA price. HASP schedules will be settled at the real-time price. Uninstructed deviations will be based on monthly averages. This approach requires changes to implementation. 2. This is not an MRTU issue and will need to be clarified and addressed through another avenue. 3. The ISO believes it is best if the PIRP resources are limited to self-scheduling in HASP because of better confidence in the underling forecast. They may opt-out the same way they can today by not scheduling to Hour-Ahead Forecast.
23. HASP – Pre Dispatch Pricing In Phase 1b, the hourly bids (imports and exports) were cleared at the Real-time price and were guaranteed bid or better. This design caused strategic behavior and cost shift problems. An interim solution ("as bid" settlement) was adopted in Phase 1b in	1. Stakeholders were generally supportive of CAISO's proposal. Some California generators said ISO's proposal discriminates against them by limiting HASP hourly unit commitment and settlement for interties only.	1. ISO will consider hourly bidding for internal generators in Release 2. 2. ISO will consider full hour ahead settlement in Release 2. 3. ISO is not changing its cost allocation proposal (to Metered Demand) at this time for the following reasons:

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March 2005. For MRTU, ISO proposed: 1. HASP intertie pricing: Use a separate hourly pre-dispatch price for imports and exports. This proposal automatically ensures bid or better without a need for a separate uplift payment (thereby encouraging importer's participation). This design corrects the original design problem and minimizes cost shifts and promotes market efficiency. 2. For cost allocation, ISO proposes to allocate the net predispatch costs to Metered Demand.	2. There was one recommendation to maintain the full hour ahead settlement and allocate the predispatch costs to deviations between day ahead and hour ahead markets. 3. Some of the Market Participants asked for charging NNUD for at lease a portion of the costs since they claimed NNUD contributes (to some degree) towards a portion of the predispatch costs. Williams supports CAISO's cost allocation proposal to Metered Demand.	for the following reasons: a. The alternate option in question (involving punitive cost allocation to NNUD with residual allocation to Metered Demand) is complex to implement and cannot be accommodated in Release 1. b. There is no direct correlation between HASP intertie purchases and NNUD (the pre-dispatch is made before the NNUD is known). c. Under normal conditions the neutrality amount in question would be a net revenue (because of real time congestion and marginal loss revenues), so the allocation would apply to Metered Demand under both the CAISO's simple approach and the alternate proposal.
24. RUC Availability Payments The ISO proposed that RA units subject to MOO must submit a zero bid in the RUC process, and that such RA units would not be paid the RUC availability payment to avoid a potential double payment.	Sellers of RA resources would like the ability to submit a non-zero bid in the RUC process. They also want the ISO to pay all units clearing price availability payment, with the understanding that these payments could be rebated through bilateral contract. They stated that the FERC July 1st Order required their approach.	The ISO continues to support its position. The FERC Sept 19th Order on Rehearing clarified that the ISO is free to propose this approach.
25. Trading Hubs CAISO proposed and FERC approved (June 10th) a Existing Zone Generation Trading Hubs ("EZ Gen Hubs") as successor delivery points under LMP for today's existing internal congestion zones (NP15, SP15, and ZP26). Stakeholders agreed that EZ Generation	1. A consensus definition did not emerge from stakeholders. Most would prefer that the ISO tariff language more clearly define the trading hub definitions. 2. Concerning the timeline, participants indicated that they wish to trade	1. The ISO believes that its formulation is in the middle ground concerning its level of detail. 2. The ISO has committed to resolve the technical details in a timely fashion but separate from the MRTU tariff filing effort.

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Hubs would represent the average price paid to generation within the zone. The CAISO proposed stakeholders agree among themselves and offer a definition of EZ Gen Hubs for the ISO to implement. ISO requested the Market Surveillance Committee review several different EZ Gen options regarding whether the EZ Gen Hubs would be comprised of all generation nodes within the zone or a representative subset and whether the weighting factors for each node would be fixed or dynamic.	bilaterally beyond February 2007 and need certainty concerning the technical details to facilitate bilateral contracting.	
26. Granularity of Load Aggregation Points for Spot Market Scheduling and Settlement Issues: 1. Should the ISO retain the existing three large LAPs? 2. If more granular LAPs are adopted, what should be the number and geographic definition of the LAPs? 3. Should participants be allowed to opt out of LAP scheduling and settlement?	1. Many load-serving entities and consumer interests, support maintaining settlement at the three LAPs. The FERC Sept 19th Order on Rehearing appeared to provide the ISO with the flexibility to take account of stakeholder views as well as the results of CRR Study 2 in deciding on the appropriate level of granularity. 2. No specific comments 3. Most stakeholders support not having an opt-out provision. State Water Project (SWP) has expressed concern about their pumps.	1. Retain 3 LAPS for Release 1 based on stakeholder input and the results of CRR Study 2. 2. To be discussed for Release 2 3. In MRTU Release 1, the ISO intends to model participating pumps and pump/storage facilities as generators with negative generation capabilities, and will therefore schedule and settle them at nodal prices. SWP's concerns are fully addressed. This Release 1 provision is for dispatchable loads only; ISO is considering general opt out for Release 2 discussions. Note: Based on FERC's September 19 Order, FERC will be issuing a separate order on demand side issues that will include this opt-out issue.
27. Pricing of Ancillary Services in HASP Although the ISO will procure 100 percent of its anticipated ancillary service requirements in the Day Ahead Integrated Forward Market	The ISO received no opposing stakeholder comments.	

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(IFM), the ISO will need to procure additional A/S in the HASP or the real time market, due to changes in system conditions. The issue is how to structure the price the ISO will pay for A/S procured in the HASP or Real Time market. • ISO proposed to procure A/S in RT from internal generation on a 15-minute basis, and pay a 15-minute MCP based on the A/S capacity bids and the opportunity cost of resources skipped in the merit order dispatch to provide reserves. • ISO proposed to procure A/S from imports in the HASP on a 60-minute basis, and pay a MCP based on both energy opportunity cost and A/S capacity bids.		
28. RUC-Self Provision Market participants asked the ISO to provide a mechanism whereby participants who would be exposed to charges for ISO RUC procurement could self-provide RUC capacity, thereby reducing the amount of RUC capacity to be procured by the ISO and avoiding a commensurate share of the RUC procurement charges.	Although some parties stated that RUC self provision should be retained in the MRTU design, more parties suggested that it be dropped, and no party commented specifically on the ISO's proposal. Only two parties have indicated that RUC self provision should be retained, but neither commented on the ISO's proposal. Several other parties commented that RUC self provision should be dropped from MRTU.	The ISO responded to stakeholders by developing a proposal for RUC self provision and requested comments. After stakeholder input, ISO now proposes to drop RUC self provision from the MRTU design.