

**UNITED STATES OF AMERICA  
BEFORE THE  
FEDERAL ENERGY REGULATORY COMMISSION**

**Electric Energy Market Competition )  
Interagency Task Force )**

**Docket No. AD05-17-000**

**COMMENTS OF THE  
CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION**

The California Independent System Operator (“CAISO”) hereby submits its comments in response to the *“Notice Requesting Comments on Wholesale and Retail Electricity Competition”* issued by the Electric Energy Market Competition Interagency Task Force (“Task Force”) on October 13, 2005. The CAISO appreciates the opportunity to comment on the current state of competition and on factors that affect competition in regional energy markets. The CAISO notes that it also is a signatory party to the comments being filed today by the ISO/RTO Council. Those comments address only the “Overview Questions” posed by the Task Force. The CAISO’s individual comments address the “Overview Questions” and certain of the “Wholesale Market Questions.”

**I. COMMENTS**

**A. Overview Questions**

- 1. What are the critical elements or attributes of competition in wholesale electricity markets that the Task Force should examine?**

Factors that affect wholesale competition include supply and demand conditions, characteristics of the regulatory environment, and the structure and

rules of the market. Supply and demand conditions include the following factors: market concentration (*i.e.*, the number of suppliers and their respective market shares); supply margins; adequacy of transmission capacity; adequacy of the planning process to meet demand; and the technical capacity for demand response. Regulatory factors that can impact competition include regulatory certainty (*i.e.*, stability), coordination of wholesale and retail regulatory regimes, environmental regulations, and the support and involvement of state regulatory commissions. The following market rules and market structure conditions can also have an effect competition: the ability of load serving entities to engage in forward contracting; the transparency and availability of relevant information to the market; the ability to effectively prevent and mitigate market power; and policies on demand response.

**2. What are the critical elements or attributes of competition in retail energy markets that the Task Force should examine?**

The CAISO submits that the Task Force should examine the following elements and attributes of retail energy market competition:

- Whether a competitive wholesale market exists;
- The compatibility of wholesale and retail market designs;
- The appropriate rules for establishing a viable retail market structure;
- The existence of policies that promote demand response;
- Incentives for hedging agreements to manage risk;
- The potential development of tradable generation capacity products to ensure resource adequacy when load obligation are shifting among load serving entities;

- Incenting participation of Electric Service Providers in retail markets;
  - Possible incentives for investment in energy management technologies and programs.
3. **What benefits have occurred because of competition in wholesale and retail energy markets? What additional benefits are expected? What benefits were forecast and have not occurred? Why? What harms have occurred because of competition in wholesale and retail electricity markets?**

The purpose of facilitating competitive wholesale generation markets is to create and capture long-term efficiencies in the development of new generating capacity. That goal can be achieved, in part, by shifting development or investment risk from the consumer (who carried that risk under the traditional regulated utility) to the developer/investor. Under such a paradigm, the generation developers/investors have the incentive to develop efficient new generation, both to sell their product and capture market share. Fundamental to this approach is the need for load-serving entities to enter into long-term forward contracts that support (*i.e.* provide the revenue stream) necessary for new investment and to hedge consumers from price volatility and risk.

In this market environment, it is the *suppliers* that have the incentive to ensure that spot market prices are reasonable so that they can mitigate their price risk if they have to buy energy from the spot market in order to satisfy their long-term forward contract delivery obligations. Competitive retail markets provide opportunities for alternative suppliers to compete on the basis of who is

best able to manage their portfolio risk and pass along those benefits to retail customers. In theory, such robust competition to provide service will create strong incentives for innovation, be it technological innovation regarding the production of electricity or innovation in the form of new product development.

At this juncture, at least with respect to the California market, it is difficult to assess the extent to which the long-term efficiencies of competition have been captured. That said, Californians have benefited and will benefit from the centralized economic dispatch of both utility-owned and non-utility owned resources by the CAISO. Inherent in such a centralized dispatch are the short-term production costs savings from dispatching the least expensive resource to serve the next increment of load on the system. While restructuring and competition can – through an ISO or RTO structure – capture certain short-term savings, the long-term efficiencies and innovation to be gained from competition cannot be fully captured until certain structural and market remedies identified during the California electricity crisis of 2000-2001 are implemented.

California restructured both its wholesale and retail electricity markets beginning in 1998. The state authorized full retail access and created the California Power Exchange (Cal PX) and the CAISO. Originally, the major California investor-owned utilities were required to both buy and sell all of their power through the Cal PX, and the CAISO was charged with managing transmission scheduling, providing an imbalance energy market, and providing markets for Ancillary Services. The restructured markets performed well during both 1998 and 1999, with average energy prices at or below pre-restructuring

levels and with a sizeable percentage of retail load switching to alternative suppliers. While certain anomalies occurred during this time period (e.g., price spikes in the Ancillary Services markets), systemic problems in the larger energy market did not begin to occur until 2000. A number of problems ultimately contributed to the California electricity crisis of 2000-2001, including inadequate forward contracting by load-serving entities, lack of investment in new infrastructure, poorly designed market rules, the exercise of market power by suppliers, and delayed regulatory intervention once the market went awry. As a result of the crisis, the state legislature “froze” retail competition or across at the level that existed at the time. Therefore, since about 2001, the amount of load served by alternative Energy Service Providers has remained at around 15%.

Subsequent to the crisis, both the CAISO and the state have either implemented or are implementing a number of reforms to revitalize the electricity markets in California. The CAISO is reforming its market rules both to align those rules with reliable grid operations and to provide incentives for new investment and eliminate opportunities for manipulation. Moreover, the State, via the California Public Utility Commission’s (CPUC) resource adequacy program is implementing rules that require load-serving entities to procure the resources necessary to serve their load, plus a reserve margin in advance. This will provide a platform for the forward-contracting necessary to support new infrastructure investment and hopefully create opportunities to capture certain of the long-term benefits of competition identified above. In parallel, the CAISO is revamping its transmission planning process so as to promote and facilitate

infrastructure development as well as to reduce indirect (non-transparent) market costs resulting from the existence of transmission constraints.

2004 was the third full year of workably competitive markets in California since the energy crisis in 2000-2001, based on the CAISO Department of Market Analysis's *Annual Report on Market Issues and Performance* for 2004. While the power markets facilitated by the CAISO have continued to improve, California's energy markets as a whole are still evolving. The CAISO implemented changes in October, 2004 that essentially overhauled the real-time balancing market and dispatching system. These structural changes, known collectively as Phase 1B of the CAISO's Market Redesign and Technology Upgrade (MRTU) initiative, are expected to have a significant beneficial impact on the competitiveness and performance of California's wholesale energy markets by allowing the optimization of dispatch within the CAISO control area and an economic evaluation of imports and enabling the CAISO to include non-utility generation in the energy mix. Continued stability and expiration of some expensive contracts dating back to the energy crisis have helped to offset increases in natural gas fuel costs. As indicated in the CAISO's year-end report for 2004, energy costs decreased 30% from 1999 levels, when normalized for changes in natural gas prices. These cost reductions likely result from the addition of significant amounts of new, efficient combined cycle generation in California and throughout the West, reduced transmission congestion, pooling of resources on a regional basis, and optimization of dispatch by CAISO. Prices for Ancillary Services fell by 12% in 2004, according to the DMA Annual Report.

Additional changes to CAISO markets contemplated in the near term through MRTU implementation, including the following: (1) an Integrated Forward Market for energy, ancillary services and congestion management to determine the most efficient, lowest cost use of resources for energy requirements and reserves; (2) implementation of the Full Network Model, Security Constrained Economic Dispatch and Unit Commitment, which will allow CAISO operators to accurately simulate grid conditions and optimally dispatch resources to produce feasible schedules that do not violate the operation constraints of the network; and (3) Locational Marginal Pricing that will provide information about the actual costs of delivering power to customers, so market participants can make informed choices about wholesale market opportunities.

The CAISO anticipates that the following benefits will result from these changes:

- Reduced dependence on the real-time market, thereby helping to increase reliability and stabilize costs;
- Allowing the most efficient use of the grid at least cost;
- Preventing gaming and manipulation through a better design and new rules and penalties for inappropriate market conduct;
- Providing wholesale price signals that represent true costs of grid competition;
- Incorporating the most advanced technology upgrades to manage loads and resources.

The Federal Energy Regulatory Commission (Commission) approved many features of the conceptual design of MRTU in October, 2003, and the CAISO is completing an extensive stakeholder process to incorporate the new

market design in a revised tariff that is expected to be filed at FERC in mid-December, 2005. To support the proposed market improvements, the CAISO has recently implemented a corporate realignment to optimize the corporation's core functions of reliable grid management, market services, infrastructure development and customer service. The CAISO has recently reduced the Grid Management Charge to below 1998 levels, and is targeting additional decreases in 2006.

The California experience clearly demonstrates the risks associated with implementing poorly-structured wholesale electricity markets. In particular, California's initial market design limited the ability of the State's utilities to enter into long-term contracts, thereby exposing the utilities and consumers to highly volatile spot market prices. This exposure, coupled with ineffective market power mitigation, translated into high energy prices and utility insolvency. Since the crisis, the flaws that allowed for exploitation of market rules have largely been corrected. One of the most important lesson learned as a result of the crisis is that long-term contracts are essential to stable energy prices.

**4. What are the major public policy concerns that the Task Force should examine in its review of competition in wholesale and retail electricity markets?**

The CAISO suggests that the Task Force focus on steps that can be taken to enhance the transmission planning process so that the identification of need and development of cost allocation guidelines for transmission expansion decisions work well *on a regional basis*. The independent analysis of

transmission needs should be done through a regional planning process of sufficient geographic scope in order to improve reliability and minimize costs.

The Task Force should also examine the following issues:

- Compatibility of wholesale and retail market design;
- Efforts to foster demand response and retail competition;
- Efforts to prevent exercise of market power;
- Capacity incentive mechanisms/approaches;
- Approaches to facilitate integrated planning;
- The role of a must-offer requirement in competitive markets; and
- Incenting new transmission and generation.

**5. In what significant ways do wholesale and retail electricity markets differ from other energy or commodity markets? What implications do their differences have for public policy?**

The CAISO submits that electricity markets differ from other energy and commodity markets in the following respects:

- Electricity cannot be “stored;”
- The opportunities for demand response are currently limited;
- There are few alternatives to electricity available to consumers (*i.e.*, there is limited substitutability);
- The barriers to market entry are high, *i.e.*, large capital investments are needed for new electricity infrastructure;
- There are continuous variations in supply and demand.

As with other commodity markets, public policy requires that there be market monitoring and oversight of electricity markets, limitations on market participants' activities, penalties and sanctions for unlawful behavior, and other regulatory safeguards to protect consumers. These safeguards are particularly important during the initial years of implementation of competitive markets for electricity.

**B. Wholesale Market Questions: Wholesale Supply Trading and Participation**

- 1. To what extent wholesale does trading help result in an economic and reliable supply of electricity in each region? What are ways to improve the provision of an economic and reliable supply of electricity?**

Wholesale trading through RTOs and ISOs increases coordination and communication over larger geographical areas and allows for the deployment of a diverse fleet of resources to meet demand. It also allows for cost savings through centralized dispatch and pooling of operating reserve requirements.

- 2. What opportunities exist for generation owners to sell output in wholesale markets? What opportunities exist for wholesale power buyers to purchase electricity in wholesale markets? Is demand (megawatts) a product that can be traded in the wholesale market? Is there an organized regional market or exchange serving buyers and sellers in a region? What products does the organized market provide? What percentage of energy supplied is secured through organized markets and bilateral trades? Are there liquid trading points in a region? What are the volumes traded? What is the trend of bid/ask spreads (getting greater or smaller)?**

The CAISO facilitates the only centralized, organized and transparent electricity markets in the West. In that regard, the CAISO currently conducts three open-competition markets: Real-time Imbalance Market (Spot Market),

Ancillary Services Market, and Congestion Management Market. These markets are briefly described below.

### **Real-Time Imbalance Market**

The CAISO maintains real-time balance at a system-wide level through a combination of (1) units operating under automatic generation control (AGC), (2) units providing operating reserve ancillary services, and (3) resources submitting supplemental energy bids. The latter two categories are dispatched through a bid process in which both supply and load resources can submit bids to increment or decrement their operating levels in response to the CAISO's dispatch instructions. The CAISO calls upon resources in economic merit order from the least expensive to the most expensive (within operating constraints) and pays all generators the last bid taken. Decremental bids are taken in decreasing price order, with all units called upon to decrease output paying the marginal price. The Department of Market Analysis Annual Report on Market Issues and Performance for 2004 found that decremental energy dominated the real-time energy market during the year.

For in-state resources, the bidding system operates on five-minute intervals. Intertie bids are pre-dispatched for a full hour, prior to the real-time market, to better accommodate transmission procurement arrangements. Imports are currently paid "as bid."

Real-Time Market Application (RTMA) software installed on October 1, 2004 now automatically balances electricity requirements by economically dispatching generation and intertie resources based on generating constraints.

### **Ancillary Service Markets**

The CAISO's ancillary services (A/S) markets include regulation, spinning reserves, non-spinning reserves, and replacement reserves. Market participants can self-provide these products, bid them into the CAISO markets, or purchase them from CAISO markets. Scheduling coordinators submit bids containing both capacity and energy components that are associated with a specific resource on a day-ahead or hour-ahead basis. Bids are selected on the basis of capacity bid prices and deliverability only. CAISO's A/S markets were changed during 2004 to allow units operating under must-offer constraints to bid into the day-ahead A/S markets without jeopardizing minimum load compensation and uninstructed deviation penalties.

### **Inter-zonal Congestion Management Market**

The CASIO's unique Congestion Management Market is a mechanism that allocates transmission capacity through day-ahead and hour-ahead "adjustment bids." Scheduling coordinators in congested zones can voluntarily offer to curtail loads or generate additional electricity. A Congestion Usage Charge is levied on participants that schedule across congested transmission paths.

### **3. What role have credit issues played in the ability of market participants to participate in wholesale markets, including forward markets?**

Credit issues played a major role in the ability of market participants to participate in CAISO markets during the California energy crisis of 2000-2001. Since that time, the CAISO has worked to reform its credit policies and

procedures. CAISO believes that the electricity industry can benefit from standardized credit policies, including specified criteria for establishing creditworthiness, limitations on unsecured credit extended to creditworthy entities, definitions of default events, enforcement mechanisms, billing and settlement policies, and criteria for default provider creditworthiness determinations (see the CAISO's June 25, 2004 Comments on Electric Creditworthiness Standards, Docket No. AD04-8-0000.)

#### **4. How can changes and trends in wholesale market prices by region be measured?**

Changes and trends in CAISO's wholesale markets can be measured with a variety of metric tools. These metrics are discussed below.

##### **Total Wholesale Energy and Ancillary Service Costs:**

There are a couple of indices which can be used to measure total wholesale Energy costs. One index is the Wholesale Energy Cost Index. This index provides an estimate of total wholesale market costs to load served that can be compared from year to year. It includes estimates of utility-retained generation costs, forward bilateral contract costs, real-time incremental energy costs, and ancillary service reserve costs.

Another index is the All-In Price Index. This is a standardized metric that was developed by the Commission's Office of Oversight and Investigation and several ISO/RTO market monitoring units. It provides an indicator of wholesale energy costs that can be compared across electricity markets in several regions. Rather than estimate total wholesale costs, this index shows the relative cost contribution of various market services, such as forward energy costs, real-time

energy incremental and decremental costs, minimum-load compensation costs, out-of-sequence energy costs, RMR costs, ancillary services costs, and grid management charges.

### **Short-term Forward Energy Market Competitiveness Measurements**

There are a several of indices which can be used to measure the competitiveness of the short-term energy market. One index is the Residual Supplier Index (RSI). This index measures the degree to which suppliers are pivotal in setting market prices. Another metric is a Short-term Energy Price-to-Cost Mark-up Analysis. This measures market trends over time by comparing the actual price paid for wholesale electricity with the estimated production cost of the marginal unit of energy needed to serve load. A third index is the Twelve-month Competitiveness Index. This index provides a rolling average that measures actual market outcomes against perfectly competitive market outcomes over a 12-month period.

### **Real-time Market Performance Indices**

There are two indices that can be used to measure Real-Time market performance. One metric is the Real-time market Price to Cost Mark-up. This index provides a measure of market trends in the imbalance energy market by comparing real-time market prices to estimates of real-time system marginal costs, based on resources that were actually dispatched for real-time energy.

Another metric is a Real-Time Market Residual Supplier Index Analysis. This evaluates RSI duration curves in relation to market clearing prices for real-

time imbalance energy. This analysis has been used by the CAISO since RTMA became operational in October 2004.

**5. How should the performance of wholesale markets in serving the needs of various types of power sellers (e.g., marketer, generator, independent producer, merchant, public utility, nonpublic utility, qualified facility, renewable power producer, co-generator) be measured?**

The following measurements can be used to evaluate how the wholesale markets address various supplier needs:

- Net Revenue Analysis and Revenue Adequacy for New Generation;
- Prices and volumes of the real-time market (Real-time imbalance energy prices and volumes, volatility, etc.); and
- Ancillary Service market performance, supply, and cost to load.

**6. How has restructuring of incumbent utility operations and the introduction of competitive retail markets in retail choice states affected participation in regional wholesale markets? Has the introduction of retail markets affected the level of long-term contracting in wholesale markets?**

In 2001 the California Public Utilities Commission (CPUC) suspended the provisions of the State's restructuring statutes related to retail competition.

**7. Please describe instances in which competition has resulted in relatively higher prices or lower reliability in a specific regional market.**

As noted earlier, wholesale markets in California had structural flaws that resulted in high prices.

**C. Wholesale Market Questions: Generation Ownership**

- 1. In the past 10 years, when generation assets have been sold or transferred, how much capacity was sold or transferred to a) utility or utility affiliates, b) existing non-utility market participants, c) new market participants?**

In California, all non-hydro resources were sold to merchant generators.

- 2. How much existing capacity has been sold or transferred to utilities and converted to rate-based assets? Of those how many were previously affiliated with a utility and how many were purchased from other entities?**

None.

**D. Wholesale Market Questions: Generation Adequacy**

- 1. How is generation adequacy addressed in each region or system? Is there a specific enforceable requirement that load serving entities or market participants must meet? How is planning for generation adequacy conducted?**

Resource adequacy in California is under the jurisdiction of the California Public Utilities Commission (CPUC). On October 27, 2005, the CPUC adopted a resource adequacy program requiring utilities, including investor owned utilities (IOUs), energy service providers (ESPs) and Community Choice aggregators to demonstrate that they have obtained the electricity capacity they will need to serve their forecast customer demand, plus a 15-17 percent reserve margin, beginning in June, 2006. Consideration of additional resource adequacy issues will take place in a new CPUC proceeding. A resource adequacy requirement is a fundamental component of CAISO's new market design. In that regard,

legislation passed by the California Assembly and signed into law by Governor Schwarzenegger on October 3 requires the CPUC and the CAISO to establish resource adequacy requirements for all load-serving entities. The CPUC, CAISO and the California Energy Commission (CEC) are working together to develop and evaluate load forecasts to ensure adequate resources. The CAISO has proposed that an integrated planning process for transmission and generation be developed.

On a sub-regional level, CAISO participates in the Southwest Transmission Expansion Planning (STEP) group. This unique regional planning initiative has helped create access to more than 6000 MW of new generation recently built in the area.

**2. Has new generation construction kept pace with demand growth in the state or market region? If not, why not? What are the most important factors that affect whether generation will be built?**

Economic growth in California resulted in a 7.4 increase in load between 2002 and 2004, with peak demand increasing by 16.2% (see DMA Annual Report on Market Issues and Performance, 2004). This signals the need to add significant new generation to meet future demand. Generation construction has not kept pace with demand growth in California. In particular, no major generation capacity has been built in Southern California in recent years. However, significant new, efficient generation facilities have been built in the Southwest and Mexico.

Primary factors that impact transmission development decisions include the availability of adequate financing, opportunities to obtain long-term contracts, and the timing and outcomes of regulatory approval processes.

**3. What role does the ability to enter into long-term contracts play in financing new generation projects?**

The CAISO strongly believes that long-term contracts play a central role in the availability of project financing.

**4. What generation facilities have been installed in the past five years? What was the experience in the process?**

Since 2001, a total of 12,654 MW in new generation has been added in California according to California Energy Commission (*Status of All Projects, 10/17/05*). When retirements are taken into account, the net addition of generating capacity is 8674 new MW, mostly in northern California.

**5. What generation facilities have been cancelled in the past five years and why?**

According to the California Energy Commission (*Status of All Projects, 10/17/05*), a total of 342 MW of new generation projects have been cancelled in the last 5 years.

**6. What difficulties, if any, have developers of new generation facilities encountered in bringing generation supply to market? (E.g., difficulties in financing, siting, permitting, licensing, interconnection, transmission access, fuel supply). What are the ways to improve the process?**

As previously noted, the CAISO believes that the availability of long-term contracts is central to development of new generation in California.

7. **Are there instances in the past five years in which a new generation facility has been completed that caused prices in a previously congested area to decline?**

New generation constructed in northern California shortly after the energy crisis has reduced transmission congestion from southern to northern California and reduced prices in Northern California.

8. **What incentives or responsibilities do load-serving utilities have to maintain adequate reserve capacity?**

See *supra* the discussion of the CPUC's resource adequacy requirements

9. **How can competitive markets assure adequacy of generation supply? How is reserve sharing to meet state or regional generation adequacy standards accomplished in competitive markets? How can other institutions/market processes provide an effective substitute for reserve sharing?**

The adequacy of generation supply can be promoted by imposing specific resource adequacy requirements on load serving entities. The resource adequacy requirements can be met through contracting or, potentially, through formalized capacity markets. Regional transmission organizations provide an effective way to reserve sharing over a large geographic area.

#### **E. Wholesale Market Questions: Transmission Investment and Regulation**

1. **What are the most important factors that affect whether transmission will be built? What are the ways to improve the process? What difficulties have transmission owners had in upgrading or building new transmission facilities? What are the prospects for merchant transmission?**

Proper incentives must be in place to promote efficient transmission system upgrades. Incentives are derived through both regulation and

competitive market signals. Streamlining the regulatory process for transmission permitting, while enabling community concerns to be addressed, would be beneficial in advancing needed infrastructure projects. The prospects for merchant transmission are good, California has recently completed a large merchant transmission project (Path 15) and others are being considered.

- 2. Over the past 10 years, what have been the trends in investments in transmission by utilities by state or region? Are there any prevailing patterns in transmission investments in upgrades and replacement of existing plant versus new lines, interconnections, automations? Have these patterns of investment shifted over this period? Are there any projected changes in patterns of transmission investment over the next 5 years?**

The CAISO oversees a grid-wide integrated planning process to ensure that the transmission system is expanded to benefit all customers on the grid. Many of the worst transmission constraints have recently been resolved. Since 1998, CAISO has approved 304 transmission upgrade projects, totaling \$3.4 billion in transmission investments.

Transmission investment in California has been undertaken by the investor-owned utilities as well as other public and private entities. For example, in 2005 alone, the State's three investor-owned utilities completed transmission projects that reduced congestion and increased electricity supply to southern California by 1500 MW (upgrades to Path 26 and "South of Lugo" transmission lines, and a new 230 KV line from the Miguel substation to the Mission substation).

An upgrade to Path 15, California's major north-south transmission corridor, was completed in December, 2004. The Path 15 upgrade, which increased path capacity by 1500 MW, was a unique public-private initiative of the Western Area Power Administration, Pacific Gas & Electric Co., and the private corporation Trans-Elect. The initiative was the first partnership of its kind in the U.S.

In addition to significantly decreasing congestion charges to market participants, the new transmission capacity has enabled the State to attract more energy imports.

**3. How has the establishment of Regional Transmission Organizations (RTOs) changed transmission operations, transmission planning, and investment patterns?**

The establishment of RTOs has centralized transmission operation and planning, leading to increased investment and identification of efficient transmission upgrade projects on a regional basis.

**4. Within a region or RTO, is there a different process for transmission upgrades that are not required for reliability but would increase access to lower priced power in areas with economic congestion?**

The CAISO employs both economic and reliability criteria for evaluating the benefits of transmission projects. The CAISO evaluates the need for all potential transmission upgrades and can compel Participating Transmission owners to pursue transmission projects that "promote economic efficiency" or "maintain system reliability." (CAISO Tariff pp. 3.2.1). CAISO's Transmission Economic Analysis Methodology (TEAM) was the first in the nation using

economic criteria for project evaluation. The TEAM analysis cleared the way for the recent Path 26 expansion in southern California.

**F. Wholesale Market Questions: Wholesale Market Transparency and Information:**

- 1. Do purchasers and sellers view markets as providing stable, transparent prices? Are there differences among products and markets?**

Well-structured markets provide transparency to market participants, as well as price stability, particularly though forward markets. Spot markets are more prone to price volatility than forward markets.

- 2. How can any information deficits be remedied to improve the utility of market information? Are there any competitive risks associated with greater transparency of prices of other information about market participants?**

Concerns exist about collusion and anti-competitive behavior if certain information is shared. In general, greater price transparency is a good thing but would need to be closely reviewed.

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## II. CONCLUSION

Wherefore, the CAISO requests that the Task Force accept the foregoing comments for its consideration.

Respectfully submitted,

**/s/ Anthony J. Ivancovich**

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November 18, 2005



November 18, 2005

**Via Electronic Filing**

The Honorable Magalie R. Salas  
Secretary  
Federal Energy Regulatory Commission  
888 First Street, N.E.  
Washington, D.C. 20426

**Re: California Independent System Operator Corporation  
Docket Nos. AD05-17-000**

Dear Secretary Salas:

Transmitted herewith for electronic filing in the above-referenced proceeding are Comments of the California Independent System Operator Corporation in response to the "Notice Requesting Comments on Wholesale and Retail Electricity Competition".

Thank you for your attention to this matter.

Yours truly,

**/s/ Anthony J. Ivancovich**

Anthony J. Ivancovich

Assistant General Counsel-Regulatory  
California Independent System Operator  
Corporation

## CERTIFICATE OF SERVICE

I hereby certify that I have this day served a copy of this document upon all parties listed on the official service list compiled by the Secretary in the above-captioned proceedings, in accordance with the requirements of Rule 2010 of the Commission's Rules of Practice and Procedure (18 C.F.R. § 385.2010).

Dated this 18th day of November in the year 2005, at Folsom, in the State of California.

**/s/ Anthony J. Ivancovich**  
Anthony J. Ivancovich