

Uneconomic Adjustments

ETC/TOR Scheduling Priority Example

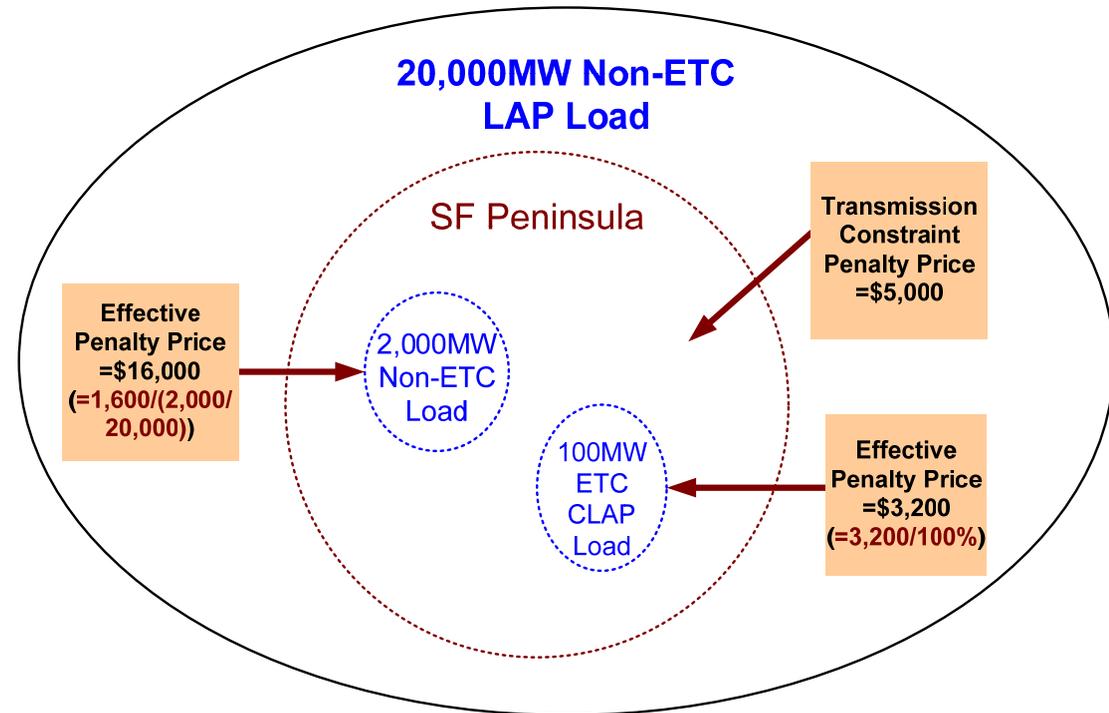
Joint MSC/CAISO Stakeholder Meeting
September 25, 2008

Scheduling Priority Issue

- If ETC/TOR Custom LAP load is not scheduled and settled using the same granularity as non-ETC loads, ETC/TOR scheduling priority cannot be ensured.
 - DLAP load effectively has higher priority than smaller CLAP loads, even though DLAP penalty price is lower.

ETC Load Schedule Adjustment Example

- ❑ 50 MW IFM downward schedule adjustment to SF Peninsula load.
- ❑ CAISO approach applies 100% of adjustment to ETC load, reducing 50% of the ETC schedule.
- ❑ Contractually, only 2.4% (=2.4/100) of the ETC schedule adjustment or 4.8% (=100/2100) of the 50 MW adjustment may be interrupted in real time.



Load	Schedule Adjustment (MW)	
	ISO Proposal	Contractual
ETC CLAP in SF Peninsula	50	2.4
Non-ETC DLAP in SF Peninsula	0	47.6
Total SF Peninsula	50	50

ETC's Financial Exposure Due to Improper Schedule Adjustment

- ❑ CAISO has identified potential exposure to congestion costs that would need to be reversed.
- ❑ But there are other costs that are allocated to uninstructed deviations that would also need to be reversed.
- ❑ There also are penalties applied to under scheduled load that would need to be waived.
- ❑ ETC loss exposure in real time could be significantly higher than day ahead, given higher volatility of real time prices.
- ❑ There may be other, as yet unidentified, financial and operational consequences that would need to be mitigated.

Proposed Solution: Schedule and Settle ETC/TOR CLAP loads using DLAP LDFs

- ❑ Directly addresses the underlying problem, rather than relying on mitigation measures.
- ❑ Ensures that the ETC/TOR scheduling priorities are maintained via the penalty prices.
- ❑ Avoids unintended consequences of not respecting scheduling priority
 - No need to modify Perfect Hedge treatment, with attendant additional scheduling and settlements burdens.
 - No need to waive load under scheduling penalties.
 - No need to address other charges attached to deviations.
 - No need to address ETC/TOR exposure to more volatile real time losses.
 - No need to address other issues not yet identified.