

Stakeholder Comments

Commitment Cost Enhancements

Submitted by	Company	Date Submitted
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SCE thanks the California Independent System Operator (CAISO) for the opportunity to comment on the Commitment Cost Enhancements Issue Paper & Straw Proposal.¹ SCE commends CAISO for taking this proactive step to ensure that energy suppliers aren't unduly harmed by natural gas spikes during Winter 2015.

Retain Tariff Waiver Provisions Without Other Changes

SCE supports CAISO's proposal to retain the manual operations as described in the CAISO's Tariff Waiver Petition, proposed Tariff sections 30.4.1.2 and 39.7.1.1.1.3, filed with FERC on March 6th.² Natural gas price spikes have been rare, as CAISO has explained in the Issue Paper,³ and it is for this reason, among others discussed below, that SCE disagrees that further changes to commitment costs as described in the Straw Proposal are needed in the interim scope of this stakeholder process.

SCE recognizes that the manual operations as described in the Waiver Request could potentially become burdensome for the CAISO should natural gas price spikes become common. However, SCE recommends that until a longer-term solution is decided upon, or the frequency of price spikes necessitates a programmatic solution, the Waiver Request's methodology for addressing these price spikes be reinstated.

Do Not Eliminate the Registered Cost Option

SCE finds CAISO's proposal to eliminate the Registered Cost Option unnecessary and undesirable, at this time. The Registered Cost Option provides a useful method of representing

¹ CAISO Commitment Cost Enhancements Issue Paper & Straw Proposal (http://www.caiso.com/Documents/2014-04-30_CommitmentCost_StrawProposal.pdf) ("Issue Paper").

² Petition For Limited Waiver Of Tariff Provisions, Request for Shortened Comment Period And Request for Expedited Commission Action By March 19, 2014, filed March 6, 2014 in Docket No. ER14-1440, at pg.13 ("Waiver Request") (http://www.caiso.com/Documents/Mar6_2014_TariffWaiver_GasPriceIndexRequirement-ExpeditedER14-1440-000.pdf).

³ Issue Paper at p. 6.

costs not directly tied to natural gas prices. For resources that are not natural gas-fired, the Registered Cost Option can be a more effective method for representing operational and contractual costs. There is also not currently a method for representing the opportunity costs associated with Use Limited Resources and the Registered Cost Option is the best available method for representing these costs on a continual basis. SCE does not see value in eliminating this option as an interim measure to address natural gas spikes, and instead such elimination will foreclose the availability of a useful tool.

Moreover, in the Reliability Service Initiative (RSI) process, the CAISO is discussing an “opportunity cost” adder based on the value of start limitations⁴. The CAISO should first ensure that this or some other workable means to represent opportunity costs of Use Limited Resources is in place and working before deciding the fate of the Registered Cost option.

Finally, SCE recommends the CAISO survey the market to find out why more parties are not using the Proxy Cost methodology. This information might help the CAISO identify changes acceptable to all market participants that might make the elimination of the Registered Cost option more reasonable.

Do Not Increase Proxy Cost Option Cap

SCE recommends keeping the Registered Cost Option and thus does not support an increase in the Proxy Cost Option cap.

⁴ http://www.aiso.com/Documents/Presentation-ReliabilityServices-WorkingGroupApr23_2014.pdf, see pages 7-15