

Stakeholder Comments Template

Subject: Exceptional Dispatch White Paper and Meeting

| Submitted by | Company | Date Submitted |
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This template has been created to help stakeholders submit written comments on topics related to the December 2, 2009 Exceptional Dispatch White Paper and December 9, 2009 Exceptional Dispatch Stakeholder Meeting. Please submit comments (in MS Word) to kjohnson@caiso.com no later than the close of business on December 30, 2009.

Please share your views on the topics listed below.

1. Single Biggest Issue

If you have an issue or issues with exceptional dispatch, what is your single biggest issue? Do you see this issue as persistent, or does it come and go? Do you have a proposed solution for this issue?

SCE concurs with the ISO's position voiced during the Dec. 9 workshop that Exceptional Dispatches (ED) are an integral part of the CAISO's MRTU model. As such we believe that the two biggest issues associated with ED are qualitative rather than quantitative issues:

1) Given that ED's will always occur, the core question is what is an acceptable frequency of ED? And similarly, what criteria/parameters should be considered in determining this acceptable frequency?

2) What criteria should be used to determine what constraints are appropriate to model and enforce in the optimization? Where should these constraints be enforced (schedule run, pricing run, both)? What constraints should be monitored in real-time and resolved through ED or other mechanisms?

While a perfect world would model all Real Time Market constraints within the Day-Ahead (DA) Market, the DA market is at best a forecast of real-time conditions, and at times it is a very poor forecast at that. To the extent the DA market cannot accurately predict real-time issues, discretion is needed as to what constraints should be enforced in

the DA market, and if these constraint need to be calibrated to reflect the inaccuracy of this forecast. We also believe that discretion may also justify some RT constraints simply being monitored in real-time, rather than enforced within the model.

In sum, we agree with the ISO's statement made during the Dec. 9 workshop that the goal of this process should not be the elimination of ED at any cost. Simply adding additional constraints to the optimization to achieve this result would clearly be inappropriate. Rather, efforts to reduce ED should be done in the context of operating the grid so that we maintain levels of reliability similar to what we have had in the past. This will require a balance between solving some problems within the optimization, and solving other problems through ED or other out-of-market mechanisms when the events occur.

2. Product Attributes

In your view, what constitutes a product? What factors or circumstances are necessary for a product to exist?

SCE believes that additional information is needed in order to accurately identify the attributes of products that may be used instead of the ISO issuing exceptional dispatches. The CAISO's white paper mentioned that over two dozen software and operational enhancements are slated to have been implemented by the end of 2010, all with a direct or indirect effect of reducing the number of exceptional dispatch instructions. We believe that the effects of these actions in reducing the number and types of EDs need to be fully understood before the attributes of an product created to further reduce the EDs can be identified. In this regard, we support the CAISO's initiative to develop a methodology to be used going forward to analyze the drivers of exceptional dispatch. Only after the results of the CAISO's ED analysis is shared and discussed with stakeholders can this question be answered.

SCE also believes that any discussions regarding potential new products should also include a discussion on if/how a competitive market for that product will exist. If there are structural barriers preventing competition, the discussion needs to include proposals for market power mitigation measures, and in some cases, if a market approach should even be attempted at all. The alternative to a market solution would be some form of regulated payment for the product/service.

3. Shortcomings of Existing Products

To the extent that you believe that a new product (or products) is needed, to what degree do existing products such as Resource Adequacy (RA) capacity and Interim Capacity Procurement Mechanism (ICPM) capacity already cover the need, and, if not, what is not covered?

The shortcomings of existing products can not be identified until the issues and needs are adequately identified, and this will not occur until stakeholders have had a chance to review the results of the CAISO's analysis of historical ED data.

A review of these results should allow stakeholders to identify reasons for ED which may be addressed by either new products or modifications to existing products only after the following has occurred: 1) The reasons for exceptional dispatches are sufficiently identified; 2) The reasons for ED which have been addressed by implemented software/operational enhancements are identified; and 3) The reasons for ED which do not justify software/operational enhancements or new product development, i.e. which EDs are acceptable to continue, are identified.

Specific to RA and ICPM, SCE points out that while these are existing options which provide the CAISO access to resources which may be used to address ED issues, these two options were not specifically identified nor created to solely address non-modeled constraints.

With regards to modifying an existing product to address ED issues, SCE sees RUC as being a potential solution; however, this would require improving RUC to run simultaneous with IFM, rather than sequential, and addressing related RUC price formation issues.

4. Visibility of Exceptional Dispatch

What are your thoughts on incorporating more constraints and other operational elements into the operational software, such as the Minimum Online Capacity Constraint versus continuing to perform exceptional dispatch that may provide a different level of visibility than exceptional dispatch?

To the extent that additional constraints are modeled and enforced within the operational software, SCE believes that each such constraint should be visible to market participants. This would include a description of all constraints and where they are enforced. The CAISO should release information on all constraints that bind in the scheduling run. In addition, the shadow prices for constraints enforced in the pricing run should be released.

We also believe market participants should be involved in a discussion regarding the hierarchy of when and where within the model constraints will be enforced, i.e. within IFM or within RUC. Also, with the introduction of virtual bids, the CAISO will need to address how and where physical constraints needed for grid reliability will be enforced.

5. Other Comments

Are there additional comments that you would like to provide?

Our notes of the Dec 9 workshop indicate that the ISO mentioned an intention to notify stakeholders ten days prior to implementing future software enhancements intended to address the need for EDs. SCE encourages such notification releases to be ten business days rather than ten calendar days.