

Stakeholder Comments Template

RI Phase 2 – Day-of Market 7/6/11 Initial Straw Proposal

Submitted by	Company	Date Submitted
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This template is for submission of stakeholder comments on the topics listed below, covered in the RI Phase 2 – Day-of Market 7/6/11 Initial Straw Proposal posted on July 6, 2011, and issues discussed during the stakeholder meeting on July 11, 2011.

Please submit your comments below where indicated. Your comments on any aspect of this initiative are welcome. If you provide a preferred approach for a particular topic, your comments will be most useful if you provide the reasons and business case.

Please submit comments (in MS Word) to phase2ri@caiso.com no later than the close of business on July 22, 2011.

1. Please provide any comments on the ISO’s proposed schedule, timeline, or process for this stakeholder process.

Response: The Six Cities recognize that the ISO already has experienced operational challenges associated with increasing reliance on Variable Energy Resources (“VERS”) and that the need to integrate additional VERs over the next several years requires that this stakeholder process go forward as expeditiously as possible. At the same time, the types of market revisions under consideration are complex and likely to be costly, and they pose significant risks of unintended consequences. For these reasons, the stakeholder process must allow sufficient time for thorough analysis of alternatives. In addition, the ISO should consider the feasibility of phased implementation of significant market revisions.

2. Are there additional goals or operational challenges that the ISO should be addressing through this stakeholder process?

Response: See the Response to Item 3 below.

3. Please indicate whether your organization agrees with the guiding principles listed in the straw proposal. If not, please indicate why not. If you would like to have other guiding principles added, please describe those additional principles.

Response: The Six Cities suggest adding as an explicit guiding principle the objective that cost responsibility track cost causation. This is sufficiently important that it could be identified as a primary level principle, or it could be included under the Technology Agnostic or Transparent principles.

4. Please provide your organization's views on any incremental ancillary services you believe are necessary to accommodate the intermittency of renewable resources.

Response: The Six Cities do not have a position on this point at this time.

5. Does your organization believe that Residual Unit Commitment should be performed more granularly than daily (i.e. on-demand RUC)? Is on-demand RUC needed if the 15 minute unit commitment, either in RTED (Option A) or RTPD (Option B) looks forward 8-10 hours?

Response: The Six Cities do not have a position on this point at this time.

6. Please provide your organization's views on replacing today's Hour Ahead Scheduling Process (HASP) for inter-ties with a simpler method that would not involve establishing separate hourly prices for the inter-ties and that would not include bid cost recovery. Please suggest proposals concerning what accommodations are necessary at the inter-ties to provide scheduling flexibility for western market entities.

Response: The Six Cities have been troubled by the magnitude of the uplift costs associated with the persistent differences between HASP and Real-Time energy prices. Nevertheless, the Cities are concerned that elimination of binding prices in HASP could reduce the availability of imports and/or exports needed to balance the system, with resulting adverse impacts on reliability. In addition, the ISO should not presume that intra-hour scheduling at the interties necessarily will become available within the implementation timeframe for this market redesign initiative. Furthermore, it is both economically efficient and supportive of reliability goals to balance the system ahead of real time as much as possible, and eliminating economic dispatch in HASP would be contrary to that objective.

7. Does your organization prefer a two settlement market or a three settlement market? Please describe why.

Response: The Six Cities do not consider it necessary to implement a three settlement market.

8. Please provide your organization's feedback on the concept of a 1 minute Real Time Imbalance Service (RTIS).

- a. Does your organization agree that with RTIS, regulation should be changed to a bi-directional service?
- b. Is one minute the correct dispatch interval for RTIS?
- c. How should RTIS be bid, selected, and dispatched? Should a mileage bid be used for dispatch with a market clearing mileage price determined each minute?
- d. Does your organization's opinion on RTIS differ depending on whether Option A or Option B is chosen?

Response: The Six Cities are not able to provide substantive suggestions with regard to RTIS at this time but will continue to evaluate information made available by the ISO and/or other stakeholders. Although more granular market products may provide desirable operational flexibility in concept, the stakeholder process must include a critical analysis of the availability of resources to provide services in the more granular markets. As a starting point, it would be helpful if the ISO could specify in detail the operating characteristics of the resources that could participate in the RTIS market.

9. Please comment on your organization's preference for Option A or Option B with regard to the real time market. If neither option is feasible in your view, please provide input on how the real time market should be configured.
 - a. Would 15 minute real time prices enable price responsive demand or demand response?
 - b. In Option A, with 15 minute RTED, what is your organization's opinion about a 10 minute ramp period?

Response: The Six Cities are not able to provide substantive suggestions with regard to Option A or Option B for the Real Time market design at this time but will continue to evaluate information made available by the ISO and/or other stakeholders.

10. How often should renewable resources be allowed to schedule?
 - a. In Option A does every 15 minutes make sense?
 - b. In Option B should renewable generation be able to schedule every 5 minutes, 15 minutes, or some other time interval?

- c. Does it make sense to limit this scheduling opportunity to only renewable resources, or should it apply more generally? Who should be able to schedule more granularly than hourly?

Response:

- c. Especially if costs for RTIS are allocated on the basis of deviations from schedule (a concept that the Cities support, as discussed below, if RTIS is implemented), all types of resources and load should be able to schedule on the same interval basis.

11. Please provide any other comments your organization would like the CAISO to consider through this initiative.

Response: As noted above, the Six Cities strongly support the ISO's proposal (at page 26 of the July 6 Straw Proposal) that costs for RTIS be allocated both to resources and to load based on schedule deviations.