Stakeholder Comments Template

Subject: Market Initiatives Roadmap – High Level Ranking Process

Submitted by	Company	Date Submitted
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The ISO is requesting written comments on the *Preliminary Results of the High Level Prioritization of Market Enhancements* published on the ISO website and discussed at the July 23rd, 2009 stakeholder meeting. This template is offered as a guide for entities to submit comments; however participants are encouraged to submit comments in any form.   Comments are due by July 30th, 2009.

All documents related to the Market Initiatives Roadmap Process are posted on the ISO Website at the following link: http://caiso.com/1fb1/1fb1856366d60.html

Upon completion of this template please submit (in MS Word) to MIRoadmap@caiso.com. Submissions are requested by close of business on Thursday, July 30, 2009.

Please answer the following questions on the results of the high level ranking:

1. **Should rankings be different for the initiatives that the ISO ranked "High" in the preliminary ranking process? If yes:**

   a) **Provide your revised ranking of the initiative**

   b) **Explain what factors led to your ranking decision**

   AReM supports or otherwise has no comments on the initiatives ranked as "high" by the CAISO. In particular, AReM strongly supports completing the implementation of the Standard Capacity Product (# 8.1) in time for 2010 Resource Adequacy compliance.

2. **Should rankings be different for the initiatives that the ISO ranked "Medium" or "Low" in the preliminary ranking process? If yes:**

   a) **Provide your revised ranking of the initiative**

b) Explain what factors led to your ranking decision

7.8   Auction Revenue Rights (ARRs) – CAISO Rank = Medium
AReM recommends a "high" ranking for this initiative. Moving to ARRs from CRRs would simplify the transfer of congestion rights to reflect load migration, which is expected to increase within the next year if SB 695 passes or as a result of R.07-05-025. At present, tiny fractional amounts of point-to-point and Trading Hub CRRs must be calculated and tracked from month to month. ARRs would avoid that, as well as the current, time-consuming, tiered allocation method. AReM understands that ARRs would take time to develop and implement, but supports beginning the process now.

6.1   Ancillary Services Substitution – CAISO Rank = Low
6.3   Multi-Settlement System for Ancillary Services – CAISO Rank = Medium
AReM would reverse these rankings. Implementing ancillary services (A/S) substitution could potentially address some of the issues identified by LECG without adding the complexity of a multi-settlement system.

3. **Are there initiatives that were missing from the Market Design Catalogue (or the presentation)?**
    a) Describe the Market Design Initiative to be added

    b) Rank the initiative and provide the reasoning for your ranking.

    No comment.

4. **Do you have any comments on or suggestions to improve the annual roadmap process?**

    AReM suggests that, in the next round of comments, the CAISO ask stakeholders to rank their top 3 priorities for implementation. This approach was used in the Roadmap process last year and should provide useful information to the CAISO on stakeholder views.

5. **Other comments on initiatives.**

    7.2   CRR Source Verification – CAISO Rank = Low
    AReM strongly supports the rank of "low" for this initiative and would support removing it from the catalogue of CAISO Market Initiatives. AReM has consistently and vigorously opposed source verification for CRRs as anti-competitive and discriminatory. When the CAISO first proposed the CRR allocation method including the Priority Nomination Process (PNP) in August 2005, the CAISO described this method as simpler, because no source verification was required after the first year. AReM supported the CAISO's allocation method as a package with the understanding and agreement that source verification would terminate after CRR Year One. While the FERC has asked the CAISO to "consider" adding source verification for CRR Year Two and beyond, AReM

strongly opposes that option. AReM recommends that the CAISO explain to FERC the anti-competitive effects that would result from re-introducing source verification, as well as the technical complexities inherent in adding it to the current CRR allocation process. Moreover, if the CAISO elects to move to ARRs, source verification would have no place in that structure.

6. **Comments on initiatives not ranked.**

   7.9   Revise Load Migration Process
   The CAISO did not rank this CRR initiative, describing it as "required to comply with regulatory mandates." Ensuring a fair and non-discriminatory process for transferring CRRs between load-serving entities (LSEs) to reflect load migration has been one of AReM's most significant issues in the new market. Accordingly, AReM is concerned that the CAISO plans to transfer calculations it currently performs to investor-owned utility (IOU) staff. The IOUs are direct competitors of the electric service providers (ESPs) and the results of the calculations the IOUs will now perform will dictate the quantity and specific CRRs transferred to/from ESPs. While AReM does not plan to oppose this initiative, AReM requests that, *before* the CAISO revises the load migration process, it implements specific procedures by which an LSE may dispute a CRR transfer calculation directly with the CAISO. AReM stands ready to work with the CAISO's staff in devising these procedures.

7. **Comments on initiatives to be added to the catalogue.**

   At the 7/23/09 meeting, the CAISO provided a list of initiatives that would be added to the catalogue. None of these issues were ranked and several included no details. Of those listed, AReM notes that it has previously provided comments regarding "A/S for Non-Generation Resources." In particular, AReM has been concerned that the CAISO has bifurcated the development of requirements by which demand response (DR) resources may provide A/S to CAISO markets from other DR-related activities. AReM again recommends that all DR-related efforts be consolidated and that this issue be ranked as "medium."