California Department of Water Resources State Water Project Ranking of CAISO's 2012 Stakeholder Initiatives Catalog

October 31, 2012

Please find enclosed below CDWR's top five stakeholder initiatives

Initiative 1: (2.6) Regulatory Must Run Pump Load

			HIGH	MEDIUM	LOW	NONE	Your Score
		Criteria	10	7	3	0	Use 0, 3, 7, or 10
A		Grid Reliability	Significant Improvement	Moderate Improvement	Minimal Improvement	No Improvement	7
в	enefit	Improving Overall Market Efficiency	Significant improvement	Moderate improvement	Minimal improvement	No impact	7
с	Be	Desired by Stakeholders	Universally desired by stakeholders	Desired by majority of stakeholders	Desired by a small subset of stakeholders	No apparent desire	$\left \right>$
D	sibility	Market Participant Implementation Impact (\$ and resources)	No Impact	Minimal Impact	Moderate Impact	Significant impact	10
E	Fea	ISO Implementation Impact (\$ and resources)	No Impact	Minimal Impact	Moderate Impact	Significant impact	7
							31

High Level Prioritization Criteria Matrix

Grid Reliability (provide a detailed explanation of how and why this initiative provides an improvement in grid reliability) –

Providing higher scheduling priority for regulatory must run pumps would enforce resource management in the DAM and RTM to meet the load obligation. Higher scheduling priority would enhance grid reliability.

Improving Overall Market Efficiency (provide a detailed explanation of how and why this initiative provides an improvement in grid reliability) –

Higher scheduling priority provides an opportunity for the market system to meet must run requirement for the pumps as well as market functionality in advance rather than in real time.

Market Participant Implementation Impact (\$ and resources) (provide a detailed explanation of what you expect the impact to be in terms of \$ and resources) –

From market participants perspective the impact is invaluable because of the need to protect certain pumps that are vital operationally. The reason why this initiative was considered in the first place represents the importance of this initiative. The cost impact to market participant for implementation is none.

ISO Implementation Impact (\$ and resources) (provide a detailed explanation of what you expect the impact to be in terms of \$ and resources) –

ISO implementation impact may not be that significant based on ongoing conversation with the ISO SMEs.

Initiative 2: (8.5) Seasonal Local RA requirements

			HIGH	MEDIUM	LOW	NONE	Your Score
		Criteria	10	7	3	0	Use 0, 3, 7, or 10
A		Grid Reliability	Significant Improvement	Moderate Improvement	Minimal Improvement	No Improvement	7
в	enefit	Improving Overall Market Efficiency	Significant improvement	Moderate improvement	Minimal improvement	No impact	10
с	Be	Desired by Stakeholders	Universally desired by stakeholders	Desired by majority of stakeholders	Desired by a small subset of stakeholders	No apparent desire	\times
D	sibility	Market Participant Implementation Impact (\$ and resources)	No Impact	Minimal Impact	Moderate Impact	Significant impact	7
E	Fea	ISO Implementation Impact (\$ and resources)	No Impact	Minimal Impact	Moderate Impact	Significant impact	7
							31

High Level Prioritization Criteria Matrix

Grid Reliability (provide a detailed explanation of how and why this initiative provides an improvement in grid reliability) –

It may improve the grid reliability efficiently because redundant local capacity would be freed up compared to flat round the year local capacity requirement.

Improving Overall Market Efficiency (provide a detailed explanation of how and why this initiative provides an improvement in grid reliability) –

It could provide an opportunity for ISO to manage local resources only to the degree of actual need.

Market Participant Implementation Impact (\$ and resources) (provide a detailed explanation of what you expect the impact to be in terms of \$ and resources) –

It could cost less for market participants to acquire lesser amount of local resources assuming that seasonal needs will be lower.

ISO Implementation Impact (\$ and resources) (provide a detailed explanation of what you expect the impact to be in terms of \$ and resources) –

It could require more time and resources for ISO to perform the studies.

Initiative 3: (3.12) Participating Load Enhancements

			HIGH	MEDIUM	LOW	NONE	Your Score
		Criteria	10	7	3	0	Use 0, 3, 7, or 10
A		Grid Reliability	Significant Improvement	Moderate Improvement	Minimal Improvement	No Improvement	10
в	enefit	Improving Overall Market Efficiency	Significant improvement	Moderate improvement	Minimal improvement	No impact	7
с	Be	Desired by Stakeholders	Universally desired by stakeholders	Desired by majority of stakeholders	Desired by a small subset of stakeholders	No apparent desire	$\left \right>$
D	sibility	Market Participant Implementation Impact (\$ and resources)	No Impact	Minimal Impact	Moderate Impact	Significant impact	7
E	Fea:	ISO Implementation Impact (\$ and resources)	No Impact	Minimal Impact	Moderate Impact	Significant impact	3
							27

High Level Prioritization Criteria Matrix

Grid Reliability (provide a detailed explanation of how and why this initiative provides an improvement in grid reliability) –

The Participating Load could provide Ancillary Services, and enhanced Participating Load also can provide Demand Response service in CAISO controlled electric grid. These services could improve the grid reliability. Higher priority in processing the Participating Load enhancements will be necessary.

Improving Overall Market Efficiency (provide a detailed explanation of how and why this initiative provides an improvement in grid reliability) –

Enhanced Participating Load is like pseudo generating unit, will be incentive in price signal, and provide Demand Response service in Day-Ahead Market and Real-time Market. Such service could improve market efficiency.

Market Participant Implementation Impact (\$ and resources) (provide a detailed explanation of what you expect the impact to be in terms of \$ and resources) –

The impact for market participant will be minimal.

ISO Implementation Impact (\$ and resources) (provide a detailed explanation of what you expect the impact to be in terms of \$ and resources) –

The impact for CAISO implementation will be moderate.

Initiative 4: (6.3) Insufficient CRR Hedging

			HIGH	MEDIUM	LOW	NONE	Your Score
		Criteria	10	7	3	0	Use 0, 3, 7, or 10
A		Grid Reliability	Significant Improvement	Moderate Improvement	Minimal Improvement	No Improvement	7
в	enefit	Improving Overall Market Efficiency	Significant improvement	Moderate improvement	Minimal improvement	No impact	10
с	Be	Desired by Stakeholders	Universally desired by stakeholders	Desired by majority of stakeholders	Desired by a small subset of stakeholders	No apparent desire	$\left \right>$
D	sibility	Market Participant Implementation Impact (\$ and resources)	No Impact	Minimal Impact	Moderate Impact	Significant impact	10
E	Fea	ISO Implementation Impact (\$ and resources)	No Impact	Minimal Impact	Moderate Impact	Significant impact	10
							30

High Level Prioritization Criteria Matrix

Grid Reliability (provide a detailed explanation of how and why this initiative provides an improvement in grid reliability) –

Improving Overall Market Efficiency (provide a detailed explanation of how and why this initiative provides an improvement in grid reliability) –

The Congestion Revenue Rights was designed by the CAISO to reimburse the congestion rents resulted from submitting DA schedules. So far the CRR design is not efficient since a balanced product cannot provide adequate hedge of the imbalanced DA congestion rents.

Market Participant Implementation Impact (\$ and resources) (provide a detailed explanation of what you expect the impact to be in terms of \$ and resources) –

The easiest way to fix the inefficiency of CRR in providing adequate hedge for imbalanced DA schedules is to reverse the DA congestion rents for LSEs that submit DA schedules as a price

taker. Reversing the DA congestion rents for the LSE that submit DA schedules only as a price taker and maintaining the current CRR design for the rest of the LSE and generators should not

incur any additional costs to MPs.

ISO Implementation Impact (\$ and resources) (provide a detailed explanation of what you expect the impact to be in terms of \$ and resources) –

Reversing the DA congestion rents for LSE that submit DA schedules as a price taker and maintaining the current CRR design for the rest of the LSE and generators should not incur any additional costs to CAISO.

Initiative 5: (11.7) Data Transparency

			HIGH	MEDIUM	LOW	NONE	Your Score
		Criteria	10	7	3	0	Use 0, 3, 7, or 10
A		Grid Reliability	Significant Improvement	Moderate Improvement	Minimal Improvement	No Improvement	10
в	enefit	Improving Overall Market Efficiency	Significant improvement	Moderate improvement	Minimal improvement	No impact	10
с	Be	Desired by Stakeholders	Universally desired by stakeholders	Desired by majority of stakeholders	Desired by a small subset of stakeholders	No apparent desire	$\left \right>$
D	sibility	Market Participant Implementation Impact (\$ and resources)	No Impact	Minimal Impact	Moderate Impact	Significant impact	10
E	Fea:	ISO Implementation Impact (\$ and resources)	No Impact	Minimal Impact	Moderate Impact	Significant impact	10
							40

High Level Prioritization Criteria Matrix

Grid Reliability (provide a detailed explanation of how and why this initiative provides an improvement in grid reliability) –

Currently MPs do not have any information that correlates the transmission constraint definition with the transmission constraint limit and the method that CAISO sets the constraints limits in special events such as unforced outages. CAISO had filed with FERC as far as April 2011 the release of DRP3, FERC approved the DRP3 release data in June 2011. Since then, CAISO is continuously postponing releasing DRP3 due to concerns of gamming. CDWR believes release DRP3 data will help MPs understand how unforced outages create positive or negative congestion. FERC Order 741 requested MPs to the CRR market to provide certification of minimum credit requirement and to provide documentation on how a particular MP deals in the event the CRR that the respective MP owns become negative. CDWR believes that such documentation cannot be provided with an adequate understanding of how negative congestion occurs; ultimately, CDWR believes that the release of the DRP3 data should be done

under an NDA that binds the MP receiving the DRP3 data from using it for gamming the energy and CRR market.

Improving Overall Market Efficiency (provide a detailed explanation of how and why this initiative provides an improvement in grid reliability) –

Please see the comments at the Grid Reliability above.

Market Participant Implementation Impact (\$ and resources) (provide a detailed explanation of what you expect the impact to be in terms of \$ and resources) –

The release of the DRP3 data should lower the MPs costs since currently MPs are spending lots of time and money in guessing to replicate CAISO model.

ISO Implementation Impact (\$ and resources) (provide a detailed explanation of what you expect the impact to be in terms of \$ and resources) –

The release of the DRP3 data should be at no cost to CAISO since the DRP3 data is available to CAISO at this time.