



Comments on the Commitment Cost Enhancements Revised Straw Proposal
Department of Market Monitoring
July 29, 2014

The Department of Market Monitoring (DMM) appreciates this opportunity to comment on the ISO's second revised straw proposal on commitment cost enhancements. We continue to support the ISO's efforts to eliminate the registered cost option and modify the proxy cost option.

DMM supports removing the opportunity cost adder from this initiative, given the lack of progress that has been made on developing a complete and well-designed model and process that would allow this option to be implemented. However, DMM notes that this market enhancement has already been dropped from several prior stakeholder initiatives over the last few years because of the time and work needed to develop the necessary rules and tools for incorporating opportunity costs into commitment costs for use-limited resources. Since developing an opportunity cost calculation model is a significant undertaking, we believe the ISO, with input from market participants, should use the additional time that currently exists to resolve implementation issues and to develop and deploy an opportunity cost calculation model as soon as possible.

As DMM has noted in its previous comments, we are supportive of the ISO's general approach to calculating opportunity costs.¹ DMM supports the ISO's efforts to move from the existing prototype to a platform that will allow the ISO to include additional features. We recommend that the ISO continue further refining and developing their model and continue to engage stakeholders in developing and refining the calculations.

¹ For further discussion, see <http://www.caiso.com/Documents/DMMComments-FlexibleResourceAdequacyCriteriaMustOfferObligation-SecondRevisedStrawProposal.pdf>, <http://www.caiso.com/Documents/DMM-Comments-FlexibleResourceAdequacyCriteriaMustOfferObligation-ThirdRevisedStrawProposal.pdf>, <http://www.caiso.com/Documents/DMMComments-FlexibleResourceAdequacyCriteriaMustOfferObligation-FourthRevisedStrawProposal.pdf>, and http://www.caiso.com/Documents/DMMComments_CommitmentCostEnhancements_RevisedStrawProposal.pdf.