

Request for Stakeholder Comments

October 27, 2006

The filed MRTU Tariff (as filed on February 9, 2006) provides for the settlement of real-time Load Aggregation Point (LAP) load deviations (LAP level uninstructed imbalance energy) through a combination of an hourly LAP price (Tier 2 UIE price) and an hourly LAP price adjustment (UIE Adjustment). Over-consumption (real-time LAP load in excess of the day-ahead LAP load schedule) is charged the sum of the LAP price and the LAP price adjustment and under-consumption (real-time LAP load below the day-ahead LAP schedule) is paid the difference of the LAP price and the LAP price adjustment (Tariff Section 11.5.2).

Some stakeholders have stated concerns about this approach. Moreover, in the stakeholder discussions related to the design of Convergence Bidding it appeared that having two different real-time LAP prices (depending on over or under consumption) would not be compatible with the idea of “price convergence” between day-ahead and real-time markets. Further scrutiny has revealed that under some (albeit rare) conditions, the two-price methodology as stated in the Tariff might lead to counter-intuitive rates.

A white paper has been posted proposing a change in the real-time LAP settlement methodology for stakeholder comments. It is available at:

<http://www.caiso.com/189b/189be9fd64170.pdf>

The CAISO is requesting written comments no later than November 15 in order to allow timely revision of the white paper, as needed, in advance of a “Market Initiatives” Stakeholder meeting that is tentatively planned for November 29.

Please forward comments to Cindy Hinman at Chinman@caiso.com.