

2012 Stakeholder Initiatives Catalog

Comments on CAISO's Prioritized Initiatives

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Southern California Edison ("SCE") offers the following comments on the California Independent System Operator's ("CAISO") November 20th Revised Draft Stakeholder Initiatives Catalog.

SCE opposes CAISO's consideration of 30 minute reserve capacity as part of its new "Additional Constraints, Processes, or Products to Address Exceptional Dispatch" initiative.

SCE supports CAISO's general goal of reducing exceptional dispatch. However, SCE opposes CAISO's focus on 30 minute reserve capacity as one of the superior solutions for doing so. 30 minute capacity has never been justifiable and now, with the implementation of Flexible-Ramping Product, it is even less defensible.

CAISO should explain why it plans to address "Non-Flexible Use-Limited Resource Adequacy Criteria and Must-Offer Obligations" as a distinct initiative rather than in the context of the "Multi-Year Forward Reliability Capacity Pricing Mechanism" initiative.

Resource Adequacy issues are very closely tied to a Forward Capacity Pricing Mechanism, yet CAISO plans to address these issues as separate initiatives. CAISO should make clear its reasoning for addressing the topics distinctly and explore the overlap between the initiatives. If CAISO moves forward with Non-Flexible Use-Limited RA Criteria as a distinct initiative then CAISO should use the opportunity to address essential SCP enhancements.

Additionally, CAISO should recognize that the *Non-Flexible* Use-Limited RA Criteria will be dependent on determinations of *Flexible* Use-Limited RA Criteria. While it may be appropriate to keep these initiatives separate, coordination between the two will be necessary.

CAISO should not rank Extended Pricing Mechanism as one of its top five priorities as there are more beneficial initiatives CAISO should address given limited resources.

SCE agrees with CAISO that the Extended Pricing Mechanism initiative would require significant resources and time that would be better used on other higher priority initiatives supported by a wide range of industry participants. Extended Pricing Mechanism would be a highly contentious and difficult initiative to pursue and it does not have clear market efficiency benefits.

Generally, SCE is supportive of the first of CAISO's two proposed resolutions under Extended Pricing Mechanism—incorporating non-priced constraints into the LMP. However, there are a number of concerns that must be addressed before pursuing the incorporation of non-priced constraints, namely the treatment of market power. CAISO's other suggested resolution to Extended Pricing Mechanism—extended LMP pricing—would be extremely difficult to pursue.

Gaining a market consensus on fundamental changes to LMP pricing would be nearly impossible and given the absence of justified benefits, the CAISO should not attempt such a resolution.

Considering the Extended Pricing Mechanism initiative's many drawbacks, CAISO's fifth priority initiative should be Multi-Day Unit Commitment in the IFM, which would unquestionably improve market efficiency by allowing for more economic commitment and cycling of long-start units.