

Comments of Southern California Edison on the CAISO's Catalogue of Market Design  
Initiatives June, 2009

June 26, 2009

Submitted by (Name and phone number)	Company or Entity	Date Submitted
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Southern California Edison ("SCE") appreciates this opportunity to provide comments on the CAISO's report, entitled "Catalogue of Market Design Initiatives June, 2009". SCE views the effort of cataloguing market design issues as an important step in communicating to stakeholders the potential design initiatives that the CAISO markets will undertake in the next few years. An effort to prioritize and plan future market enhancements is important because it will force the CAISO and stakeholders to focus resources on the initiatives with the highest overall value to the evolution of the CAISO markets.

### **Comprehensive Vision for Market Design Evolution**

While SCE supports the CAISO initiative to catalogue all potential market design initiatives and to request stakeholders to rank and prioritize individual market design enhancements, SCE is concerned with the perceived lack of a comprehensive vision from the CAISO on the evolution of its market design. The road map process as it currently stands requests stakeholders to rank and prioritize numerous issues spanning many market products without providing stakeholders with an overall vision, guiding principles, on where the CAISO sees its market evolving over the next few years. Instead of requesting stakeholders to prioritize market design initiatives ranging from Day-Ahead Market Design to Seams and Regional Issues it would be more beneficial for the CAISO to facilitate its road map process around major market objectives, for example Enhancements to CAISO RT Market, Integration of Renewable Resources, Demand Response Initiatives, and Integrating GHG Requirements. A road map process centered around CAISO major market objectives will result in the prioritization and ranking of projects that help the CAISO accomplish its main objectives and evolve the market in a more efficient and effective manner.

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### **Additional Market Design Initiatives**

Improving the Real-Time market should be the number one priority of the CAISO. Both the real-time price volatility and magnitude of real-time price differences are very concerning and need to be addressed. To that extent SCE requests the CAISO add an item titled "Near Term Real-Time Market Enhancements" to the catalogue and work with stakeholders on specific enhancements that would be most beneficial in improving market performance. While by no means an exhaustive list, specific enhancements that should be under consideration by the CAISO include:

- Improvements in Real-Time Constraint Modeling
- Improving the Process for Constraint Relaxation
- Real-Time Price Formulation
- Dispatch of Real-Time Ancillary Services
- Better Shut-Down Modeling of Generation

In addition, SCE requests the CAISO add to section 9 an enhancement for the development of a centralized capacity market in California. Currently, only modifications to the Standard Capacity Product itself are listed under this section and no discussion on the evolution of the RA market to a centralized bidding and clearing mechanism exists in the catalogue.

### **Catalogue Items Requiring Clarification**

SCE requests the CAISO provide additional clarification on two of the enhancements included in the catalogue. First, under item 6.7 (A/S Maximum Capability Operating Limits for Spin and Non-Spin) it is unclear whether this issue is addressed in the scope and design of the Multi-Staged Generator Modeling project or will need to be addressed separately. Second, under item 10.1 (Interchange Transactions after the Real-Time Market the description only discusses the ability to schedule bilateral import and export transactions with the ISO after the close of the market but does not include the ability for Scheduling Coordinators to schedule Inter-Scheduling Coordinator Trades (IST's) within the same time period. SCE asks the CAISO to consider adding IST transactions to the scope of this enhancement.