



Template for Submission of Comments on 5-Year Market Initiatives Roadmap

The CAISO is requesting that Stakeholders submit the following comments to the 5-Year Market Initiatives Roadmap using this stakeholder comments template.

1. Pick three market enhancements you believe should have the highest priority for implementation and describe the reasons why tied back to the high-level prioritization criteria using the provided tables below. These top three may include FERC mandated market enhancements or non-mandated market enhancements that are described in the Roadmap.
2. Prioritize the list of FERC mandated enhancements listed in the table below with a rank of 1-10 based on the order of priority you believe these enhancements should be addressed by the CAISO.

Comments are requested by close of business Friday, April 18, 2008 and should be submitted to mmiller@caiso.com. Please contact Margaret Miller at mmiller@caiso.com or 916 608-7028 with any questions.

Instructions for Part 1 – Ranking top three market enhancements

- 1) At the top of the template please provide your name and the name of the company you represent.
- 2) In the left-hand column identify the section number associated with the enhancement you want to propose, as identified in the Five Year Market Initiatives Roadmap. If you are proposing a new market enhancement that is not captured in the Roadmap please indicate "New" in the left-hand column.
- 3) In the second column provide the name of the enhancement and a description of the important features you are proposing.
- 4) In columns three through six provide justification for your proposed enhancement based on:
 - Grid Reliability-please rank high, medium or low and describe why.
 - Market Efficiency – please rank high, medium or low and describe why.
 - Implementation/cost impact to CAISO please estimate (High, Medium, or Low)
 - Implementation/cost impact to market participants please estimate (High, Medium, or Low)

In providing your justification for a proposed market enhancement it is extremely important to describe why you believe a market enhancement ranks high, medium or low in the specified category. The CAISO will use this information when evaluating these market enhancements in the ranking process.

Company represented: San Diego Gas & Electric

Person submitting comments: Randy Nicholson/Pamela Mills

Date of submission: April 18, 2008

Part 1 – Top Three Market Enhancements (Mandated or Non-Mandated)

Roadmap section number, or specify "New"	Title and description of proposed enhancement	Does this market enhancement have a High, Medium or Low impact on improving Grid Reliability and why?	Does this market enhancement have a High, Medium or Low effect on improving market efficiency and why?	Estimated Implementation /Cost Impact to CAISO Please specify (High, Medium or Low)	Estimated Implementation/Cost Impact to Market Participants Please specify (High, Medium or Low)
2.8.8	Long-Term CRR Auction	Medium impact – Biasing long-term contracting means power would be generated by less-than-effective sources of generation for economic dispatch causing unnecessary congestion and need for RMR.	High impact – allocations are currently inefficient and in addition to impacting the short-term market impact, also has the potential to bias future long-term contracting. Will confound the use of market signals in locating future transmission guilds	Medium to low – if the auction for released and residual CRRs is already available, this is an incremental change to the existing system.	This is a high benefit to market participants because it will enhance the ability to acquire desirable CRRs at a competitive and transparent market price.

Roadmap section number, or specify	Title and description of proposed enhancement	Does this market enhancement have a High, Medium or Low impact on improving	Does this market enhancement have a High, Medium or Low effect on improving	Estimated Implementation /Cost Impact to CAISO Please	Estimated Implementation/Cost Impact to Market Participants Please
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“New”		Grid Reliability and why?	market efficiency and why?	specify (High, Medium or Low)	specify (High, Medium or Low)
3.2.4	Demand Response	High benefit to grid reliability to use demand response products in addition to supply products to maintain grid reliability. For certain products, demand response can more quickly deliver needed benefits (spin, quick start, supplemental reserves). Logical fit to balance wind intermittency.	High benefit to market efficiency – inherent market power mitigation to supply side if demand is participating in the markets. More sources of “supply” for products – especially ancillary services – leading to a thicker market.	Medium – supply side already has access to these markets. A few rule and system changes are required.	High benefit – less invasive mitigation, more opportunities to participate in markets.

Roadmap section number, or specify "New"	Title and description of proposed enhancement	Does this market enhancement have a High, Medium or Low impact on improving Grid Reliability and why?	Does this market enhancement have a High, Medium or Low effect on improving market efficiency and why?	Estimated Implementation /Cost Impact to CAISO Please specify (High, Medium or Low)	Estimated Implementation/Cost Impact to Market Participants Please specify (High, Medium or Low)
3.3.1	Day Ahead Scheduling of Intermittent Resources	low impact in reliability w/r/t the day-ahead market	high impact to schedule intermittent resources	medium cost impact to develop rules and system changes to accommodate	Low cost and high benefit with increased amount of intermittent resources in future resource portfolio

Instructions for Part 2 – Ranking FERC Mandated Market Enhancements

1. In the left hand column enter a rank for the specified FERC mandated market enhancement in order of priority for implementation by indicating a 1 for highest priority to an 10 for lowest priority. If you believe that more than one market enhancement should have the same level of priority you may use the same ranking number up to two times. For example you may rank up to two market enhancements as a “1”.
2. In column two please describe the reason for your selected rank unless the same market enhancement was already described in detail in Step 1 above.

The CAISO has been ordered by FERC to implement or address the following market enhancements no later than three years after MRTU start-up¹.

Rank (1-10)	FERC Mandated Market Enhancement	Please describe reason for rank
5	Multi Hour Block Constraint in RUC – 2.2.2.2	More efficient grid/market operation
4	Ancillary Services Substitution -2.2.3.7	More efficient grid operation
8	Rebate of loss-over collection issues for Renewable Resources – 2.2.2.3	More accurate cost alignment
6	Bid Cost Recovery for Units with Run Times that Exceed 24 Hours - 2.2.2.9	More accurate cost alignment
10	Support Exports of Ancillary Services – 2.2.2.13	Larger footprint for system reliability products
2	Model Constraints of Combined Cycle Units – 2.2.2.16	Remedy problems associated with IFM software treating CC units as continuous units
9	Increase number of LAP Zones – 2.2.2.20	Currently only one LAP in San Diego and that number is unlikely to increase
7	Two Tier rather than single tier Real-Time Bid Cost Recovery – 2.2.2.23	More accurate cost alignment
1	Long-Term CRR Auction – 2.8.8	More accurate CRR allocation
3	Sale of CRRs in the CRR Auction 2.8.3	Remove prohibition on bilateral CRR sales.

¹ The CAISO is ordered by FERC to allow for flexibility for A/S substitution in a “future MRTU Release”. No specific timeline was specified.