

**California Department of Water Resources State Water Project
Comments to CAISO on Market Design Initiative and detailed rankings**

Submitted September 3, 2009

The California Independent System Operator (CAISO) released their Updated Catalog of Market Design Initiatives and detailed ranking of initiatives on August 21, 2009. In response to these, the California Department of Water Resource State Water Project (CDWR-SWP) respectfully provides the following comments.

1. CATALOG

In the introduction section of the Catalog, the CAISO describes “Market Design” referring to it as “policy changes and enhancements rather than process improvements or administrative type changes.” With this reasoning the CAISO has removed initiatives such as Payment Acceleration and Credit Limits from the Catalog. CDWR-SWP feels this is a mistake and that keeping all initiatives in one document through their lifecycle will aid not only in the transparency of issues, but the ability of Market Participants to better follow the ranking, Stakeholder Processes, and implementation of programs. In addition, the ranking process contains a category for process improvement so why try to differentiate these initiatives by placing them in separate documents? In answers to previous comments the CAISO claims certain questions are beyond the scope of the catalogue. We feel it would be prudent to have the answers in one place rather than many, and that these questions are pertinent to the catalog, especially when initiative timelines are considered. There are references to dates for FERC orders, start of Stakeholder Processes, and status updates, so why can’t CAISO showcase this information graphically in the catalog?

2. RANKING

CDWR-SWP fully supports the high priority ranking for increasing load aggregation point granularity (catalog Section 2.11) within the CAISO market. The Process Improvement Objective score should actually be higher than 5, it should be 7 or 10, primarily because of its relevance to aid in many ongoing initiatives, such as Convergence Bidding, Proxy Demand Resource, and in general move the market toward the original design of accurately reflecting market price signals.

CDWR-SWP is also in support of Simultaneous RUC & IFM (catalog Section 5.2). IFM and RUC share the same goal of ensuring enough supply to meet demand for the next day, so combining them together makes sense. When committing resources in the DAM, it is better for CAISO to consider bid in demand and forecast demand at the same

time. There is a tight relationship between the bid in demand and forecast demand. Combine the IFM and RUC together, CAISO will be able to avoid over-commitment issues in the IFM and de-commitment issues in the RUC. With the simultaneous RUC & IFM, it will be easier for CAISO to implement Convergence Bidding and allocate cost for the charge codes associated with Bid Cost Recovery.