

The perceived issue raised with the RUC process is interesting but it is not clear that RUC is failing to perform in accordance with the approved design. Further investigation/testing seems essential to determine if there is something that needs fixing as well as to understand the options to fix it. Assuming the CAISO gets to the point of looking for solutions to a clearly identified/defined problem, extreme care must be taken to ensure that the fix does not undermine the competitive market structure or create perverse incentives. The market structure being implemented in MRTU was developed through a very painstaking process that included detailed review and scrutiny. It represents a balance of the many interests that participated in the process to create a competitive market structure. Making significant changes to a competitive market element of the MRTU structure could significantly undermine that balance as well as result in perverse behaviors. For example, the load serving utilities by their load bidding behavior can impact the amount of power the CAISO acquires through the RUC process in order to meet forecasted loads. Thus, if the RUC process were changed to replace a competitive market price with a fixed price that was viewed as below market, load serving utilities may have an incentive to bid in a way that increases the amount of power acquired through the RUC process. The CAISO must not rush to fix a perceived problem by changing elements of MRTU that are an integral part of the new competitive market structure.