



cannot be represented by any other party and, consequently, SCE respectfully requests that the Commission grant SCE permission to intervene in this proceeding. SCE hereby reserves its rights to raise substantive issues regarding all aspects of this proceeding, and to file additional comments, as warranted by the proceeding. SCE designates the following person for service on the Commission's service list in this proceeding:

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## **II. COMMENTS**

### **A. Introduction**

On October 2, 2009 the CAISO filed proposed tariff modifications to amend the rules limiting the supply bid pool in the ISO's Integrated Forward Market ("IFM"). Currently, the pool of bids available for commitment in the IFM is limited to units that are "dispatched" in the pre-IFM process run. The CAISO has noted its observations that, limiting the pool of units considered in the IFM in this manner could create inefficiencies and raise overall costs to the market in some cases.<sup>1</sup> This situation could occur when bid-in demand exceeds ISO forecast demand. The purpose of the proposed tariff amendment is to allow bids from resources not committed in the Local Market Power Mitigation ("LMPM") process to compete with bids from resources that are committed in the LMPM process.<sup>2</sup>

SCE supports the CAISO's proposed tariff modifications as a temporary solution until such a time as the CAISO addresses the FERC directive of running the LMPM process based on

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<sup>1</sup> CAISO Amendment, Filing Letter at p. 2.

<sup>2</sup> *Id.*

bid-in demand rather than forecast demand.<sup>3</sup> Furthermore, SCE supports and requests that the Commission require the CAISO and the Department of Market Monitoring (“DMM”) to monitor day-ahead market performance as result of eliminating the IFM pool restriction.<sup>4</sup>

## **B. Comments**

SCE views the current market design of limiting the supply bid pool in the IFM based on the CAISO’s demand forecast as problematic. Two facts lead us to strongly support the CAISO taking immediate interim steps: 1) the market results on July 26, 2009; and 2) continuing issues where units are economic based on IFM results, but nevertheless do not receive IFM awards because of the limited market power pool.

The current design can create scenarios where the IFM market is unable to determine a solution without performing uneconomic adjustments of market schedules, or unless it produces IFM solutions at clearly inflated price levels. This CAISO analysis of July 26, 2009 demonstrates that the current process resulted in needlessly inflated prices, around \$500/MWh, when something similar to the FERC bid-in demand process would have resulted in prices around \$65/MWh.<sup>5</sup> The current process is of particular concern because the CAISO may have plenty of economic resources available to serve willing market buyers, but these resources may not receive market awards, or even be allowed to participate in the IFM, if they were not deemed “needed” based on the CAISO’s forecast. Rather than relying on the CAISO’s forecast to determine the supply pool that can receive market awards, the IFM pool should be determined economically based on the market desires to buy and to sell.

SCE recognizes that the implementation of the final FERC requirement of mitigating based on bid-in demand is nontrivial and will require material software changes. Moreover, the

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<sup>3</sup> Order Conditionally Accepting The California Independent System Operator’s Electric Tariff Filing To Reflect Market Redesign And Technology Upgrade, issued September 21, 2006, Docket Nos. ER06-615-000, ER02-1656-027, ER02-1656-029, ER02-1656-030 (116 FERC ¶ 61,274) at P 1089.

<sup>4</sup> SCE Stakeholder Comments on CAISO Straw Proposal for Modifying Rules for Limiting Supply Bid Pool in IFM, dated August 18, 2008. <http://www.caiso.com/240f/240f74bd2fd90.pdf>.

<sup>5</sup> CAISO Presentation entitled “Straw Proposal for Modifying Rules for Limiting Supply Bid Pool in IFM,” dated August 14, 2009. <http://www.caiso.com/2408/2408e7f95d850.pdf>.

new process will need to integrate with Convergence Bidding while ensuring LMPM is not undermined. Therefore, as a temporary solution, SCE supports the CAISO's proposed tariff modifications to allow bids from resources not committed in the LMPM process to compete with bids from resources that are committed in the LMPM process in the scheduling and pricing runs of the IFM. While not an end-state solution, such a change should ensure that sufficient economic supply is made available in the IFM's scheduling and pricing runs during instances of bid-in demand exceeding the CAISO demand forecast. However, we encourage the CAISO to implement the FERC approach as soon as practical, but until that time, the temporary solution as proposed, should be implemented.

Finally, SCE support is based on the understanding that the DMM will continuously monitor the market impacts of passing un-reviewed bids to IFM scheduling and pricing runs. SCE remains concerned over the possibility that market power may arise under this proposal. To address this concern, we respectfully request that the Commission to require the CAISO provide an analysis of the market impacts of eliminating the IFM pool restriction every 3 months from the effective date of the proposed modifications until a replacement mechanism is implemented.

### **III. CONCLUSION**

For all of the foregoing reasons, SCE respectfully requests that the Commission allow SCE to intervene in this proceeding and be accorded full party status herein. SCE is supportive of the CAISO proposed tariff modifications, as a temporary solution until the FERC directed end-state design is put in place, one that is compatible with Convergence Bidding. As such, we urge the Commission approve the language as soon as possible. SCE further requests that the Commission require the CAISO and DMM to monitor the market impacts of eliminating the IFM bid pool restriction and require the CAISO provide a report of its impact on the IFM market every 3 months after implementation.

Respectfully submitted,

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Dated: [October 23, 2009](#)

**CERTIFICATE OF SERVICE**

I hereby certify that I have this day served the foregoing **INTERVENTION AND COMMENTS OF SOUTHERN CALIFORNIA EDISON COMPANY ON THE CALIFORNIA INDEPENDENT SYSTEM OPERATOR'S SUPPLY BID POOL FILING** upon each person designated on the official service list compiled by the Secretary in this proceeding.

Dated at Rosemead, California, this 23<sup>rd</sup> day of October, 2009.

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Case Analyst

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