

**Comments of  
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FERC Technical Conference Regarding  
CAISO MRTU Seams Issues (ER06-615)  
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Good morning, my name is Pedro Pizarro and I am Senior Vice President for Power Procurement at Southern California Edison. On behalf of SCE, I would like to express my appreciation to FERC for hosting this seams technical conference, and thank the other members of this panel and everyone in this room for your participation. SCE is an Investor-Owned Utility in California, a Participating Transmission Owner (PTO) in the CAISO, an active commercial participant in the Western electricity market, and has been very active in the Market Redesign and Technology Upgrade (MRTU) development effort.

The focus of this panel discussion is on seams issues that impact commercial operations in the West. While we all recognize the reliability benefits of operating as an integrated Western Interconnection, we must not forget the significant commercial benefits that we gain as well. California and its neighbors rely on each other as trading partners for the exchange of reliable and reasonably-priced electricity. Maintaining a robust environment for commercial transactions is of paramount importance, not only for SCE, but for all market participants in the West. If there are seams issues that discourage inter-regional commerce – whether associated with MRTU or not – California and the rest of the West will

suffer. SCE is committed to work collaboratively with stakeholders and FERC to develop rules that support commercial transactions inside and outside of the CAISO markets.

We recognize that since the California market design began operations, there have been very significant impacts to entities outside of California. We also recognize that the sting of the energy crisis of some five years ago is still fresh in the minds of many entities in the West. The history of California market operations has strained relationships all across the West. Based on our discussions with senior leaders from utilities and other market participants across the entire region, I can safely say we all agree on the need to improve working relationships in the West in order for us to gain the full benefits of our interconnected system. I'm encouraged by this commitment and look forward to continuing this dialogue.

Before diving into specific issues, let me state the obvious – our market structure in California is different from the rest of the West. We have the only ISO and, under MRTU, we will be the only region with formal markets, both day-ahead and real-time, for energy, ancillary services and congestion management. The rest of the West operates under a more traditional Order 888 Tariff structure that utilizes bilateral transactions. We certainly respect the policy decisions resulting in these different structures. Nevertheless, the structures are different and make a certain degree of seams integration issues unavoidable. It is my hope that SCE and the

other CAISO members can work constructively with the rest of the West so that we can maintain reliability, support robust commercial transactions, and realize the benefits of each operating paradigm.

While addressing commercial seams issues is important, there is an equally important, but more specific, challenge facing us as well – implementation of MRTU. The MRTU design represents the culmination of years of study, analysis, stakeholder input, coordination with state authorities, and FERC guidance to address the structural flaws in the CAISO's current electricity market. We commend FERC for issuing its comprehensive MRTU Order in September and believe it provides sufficient guidance to proceed with MRTU implementation.

While some may view MRTU as an opportunity to address a large number of issues associated with the California market, MRTU is actually a targeted project to address a few well-known shortcomings:

- First, eliminating the acceptance of infeasible day-ahead schedules by replacing the current zonal congestion management system with a full network model of the CAISO grid;
- Second, providing a more efficient mechanism for the purchase and sale of energy through the implementation of a day-ahead market; and
- Third, improving CAISO operational and financial systems performance by upgrading existing technology.

The implementation of a new market design brings with it both opportunity and anxiety. The challenge we face is to be able to address both MRTU seams issues and existing seams issues in a manner that accommodates the MRTU implementation date, currently under review at the CAISO.

In comments submitted for this technical conference, parties identified many legitimate seams issues that we believe are not directly associated with MRTU. I say this not to dismiss those issues, but to distinguish that those issues need not be addressed through MRTU implementation. Examples of these existing seams issues include scheduling timeline differences between the CAISO and neighboring control areas, unscheduled flow mitigation procedures, and the sharing of information on a reciprocal basis.

In fact some features of MRTU will actually help narrow the gap between the CAISO and other control areas in the WECC. For example, the use of the full network model is expected to greatly diminish the number of infeasible day-ahead schedules accepted by the CAISO, thus reducing the amount of real-time adjustments. Another example is an hour-ahead scheduling process design that better aligns with the scheduling practices outside of the CAISO.

Another category of comments filed for this conference included issues that FERC addressed in its September MRTU Order. SCE, like many others in this room, reviewed the details of the nearly 400-page order. We won on some

issues, and we lost on some issues. However, we must now live within the confines of the FERC MRTU Order. Issues such as the implementation of an LMP-based market, marginal losses, allocation of Congestion Revenue Rights, rules for self-schedules and the allocation of market-related costs (e.g. UFE) have been addressed in the FERC MRTU Order.

We are not here today to say that there are absolutely no seams issues associated with MRTU. We are aware of an emerging MRTU-related seams issue that definitely needs to be addressed. That issue has to do with the curtailment priorities of Resource Adequacy (RA) resources during conditions when there is not sufficient supply to meet desired demand. The MRTU design must ensure that those entities that have paid for RA resources to serve their load are able to receive the reliability benefits of those resources. We believe those entities should have a higher priority to utilize those RA resources than entities that have not paid for the RA benefits of the resource. At the same time, the MRTU design must also be able to accommodate the sales of firm energy exports – where “firm” is defined pursuant to a WSPP agreement. Western entities have been making such sales for years to the benefit of customers both inside and outside California.

Stakeholders have been working with the CAISO to address this issue. The CAISO has proposed a solution that would allow firm exports only from non-RA resources. This solution does not address our key concerns. The ultimate

solution must both allow load serving entities to capture the full value of RA resources and allow exporting of surplus RA resources, while giving our trading partners across the West confidence that firm exports from California will be truly firm exports that they can count on unless there are truly exceptional circumstances threatening reliability. We will continue to work with the CAISO and stakeholders to develop a method to accommodate firm export sales within the MRTU systems being developed by the CAISO.

***How do we move forward from here?*** Regarding MRTU seams issues, I encourage the CAISO to formalize a stakeholder process to address specific MRTU seams issues. Interested parties throughout the West should be able to participate in this stakeholder process. The CAISO should inform FERC of its progress in addressing these issues, via quarterly reports, and allow for MRTU tariff changes that support viable solutions. We also agree that the CAISO should continue to work closely with neighboring control areas to address MRTU testing and cutover issues to ensure a successful implementation.

Regarding seams issues not related specifically to MRTU, we have the ability to address many of these seams issues through existing organizations in the West such as the WECC. The WECC has a formal committee structure in place for operations, planning and market interface issues. The Operations Committee and the Market Issues Committee have formed subcommittees to address seams

issues. We should continue to utilize WECC to address western coordination issues.

Finally, while we can use the above forums to develop detailed solutions to address seams issues, fundamentally we need to improve relationships among entities in the West. We in the West are all facing very similar issues and we need to collaborate better to discuss concerns, develop recommended solutions, and communicate key messages to policymakers. This need is truly independent of any market design. All of us at Edison are deeply committed to this important dialogue with our partners across the West.

Thank your for the opportunity to present these comments.