

ELECTRIKGRID NEWS

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ENERGY CRISIS CONTINUES

FERC AND CALIF. DIAGREE

The California energy crisis continues, with FERC largely ignoring the ISO proposal. The informational filing by CAISO of April 6 must be submitted to FERC as a formal filing, it seems. As Nero was said to have fiddled while Rome burned, so it is with FERC and the California energy crisis. FERC presented its own plan for California per FERC News Release, April 25, 2001, Docket No. EL00-95-012.

The FERC plan applies price caps, but only in declared emergencies and appears to be short of taking the action that CAISO proposed. The FERC plan appears to allow continued high prices during the non-emergency times.

The key points of the FERC proposal are:

- (1) Increase ISO control over outages;
- (2) Participating generator agreement (PGA) sellers must offer all their energy in real-time (excepting hydro);
- (3) Create price mitigation in market for times when reserve resources are short;
- (4) Require public load serving entities to create a demand-response scheme with price set at which load would be curtailed;
- (5) Establish a single market clearing price auction, using confidential unit specific heat and emission rates for unit specific marginal pricing;
- (6) Invoke price mitigation and marginal pricing during periods for which reserves

<7.5%, and times of “energy shortages” respectively. It is assumed that the marginal cost implementation would be limited largely to periods of declared emergencies.

In comparison between the CAISO April 6 proposal and that of the FERC April 25 proposal, the FERC proposal appears to fall far short in scope and in mitigation of energy market prices Californians deem “excessively high.”

FERC and the State of California would best solve the problem if they worked together. FERC by proposing its own action and ignoring the April 6 CAISO proposal, seems to exhibit little desire to work in synergy with California to solve the problem. Things continue with a viable solution or unity of effort.

CALIFORNIA’S BLACKOUTS

California’s rolling blackouts continue to be the tool for addressing the deteriorated financial condition of SCE and PG&E in the overpriced energy market with inadequate resources. With the coming of hot weather, frequency of rolling blackouts will certainly increase.

What is being done about the high energy prices and causes of this situation? The answer is “certainly not enough.”

CALIF. MARKET TRAINING

Sacramento's Phoenix Consulting offers customized services to many energy-industry clients active in all segments of the market, along with the popular *KNOW THE ISO*, a reporting and analysis service about California ISO issues and events. General training and specialized training is offered. California Electricity Markets training class is scheduled to be in Sacramento. This new class is being offered for the first time, on Tuesday, May 29th. The topics will include: (1) Historical events leading to restructuring; (2) Retail market structure and roles; (3) Wholesale market structure and roles; (4) Summer 2001 California outlook. The cost of the class will be \$350 per person, which will include lunch and the course binder.

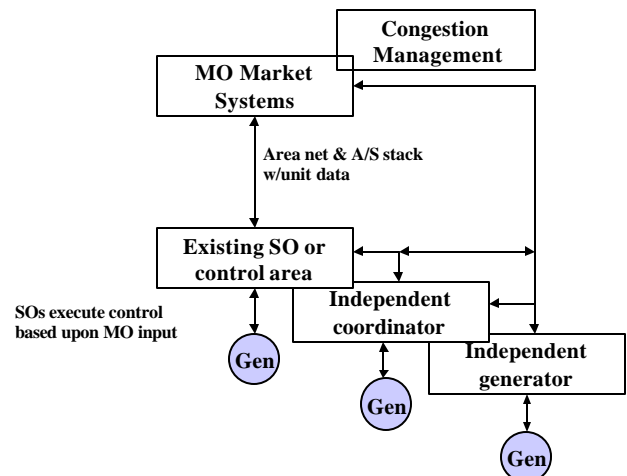
For information, contact Susan Schneider, Phoenix Consulting, 1-916-797-3106 or schneider@rsvl.net.

ISSUES OF MARKETS & SYSTEM OPERATION

There is always an issue of how independent system operators (ISOs) and regional transmission operators (RTOs) will separate market operation (MO) and system operation (SO). The proprietary and market sensitive data from the market operation must be secure. The system operation must be "independent" in the sense of ensuring reliability through markets and providing grid services. How much independence is deemed to be "enough" and how that separation of market and grid is accomplished will vary in each locale. Internationally, the choices vary, but in general, choices include: (1) Separate market from grid operation; (2) Combine grid operation & market operation in independent entity;

(3) Operate a single control area for the market area; (4) Operate multiple control areas within the market area; (5) Define SO or MO as profit corporation; (6) Define SO or MO as a not-for-profit corporation.

For a successful and equitable separation, the following are generally good rules: Guarantee the security and confidentiality of proprietary market data. Preclude the SO from making decisions that create a profit for SO to the detriment of other market participants. Ensure that the market actions regarding ancillary services (including balancing energy) are provided to the SO and executed by the SO without manipulation or change. Ensure that market rules are fair to all participants, including "end users." Set market parameters and controls, with adequate authority to address market abuse.



Example of MO Without An EMS

How these principles are incorporated really is not so important as the insurance that you have a viable, fair and dynamic energy market.

In upcoming newsletters: comparing markets, comparing suppliers.