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**Subject:** IEP request for 5/24 RMR Meeting

**Importance:** High

CAISO Staff:

Thank you for taking the time to evaluate the current RMR criteria. IEP, along with our members, look forward to participating in this process.

We have all spent the last several months discussing many of these same issues in different forums. It has now become crystal clear that there are several competing definitions of what a "locational need" is or what criterion are used to determine local market power mitigation, Must-Offer commitment (both chronic and occasional), RMR designation, and perhaps deliverability requirements within the RAR process.

It is our hope that through this process, we can begin to address the discrepancies that exist between these forums.

IEP requests that the CAISO provide market participants with consistent criteria that are utilized for determining a "locational need".

We recognize that the CAISO can not plan for every contingency and so not all "locational needs" will be met with an RMR contract; however we also recognize there have been over a million MWh committed over the last 18 months through the Must-Offer process for what the CAISO has defined as a "local area requirement" that exists systemically. To complicate matters further it appears that the CAISO also has a separate criterion it utilizes when mitigating for local market power as part of its MD02 design. The load pocket deliverability requirements set forth in the CPUC RAR workshop process must also carry consistent criteria.

Real-Time Operational criteria must be consistent with or complementary to the planning criteria utilized to commit RMR units, as well as with the LMPM proposals and the local deliverability standards proposed as part of the CPUC process. If the CAISO does not feel that this criterion should be internally consistent please provide an explanation prior to the May 24<sup>th</sup> meeting.

It is critical that the CAISO resolve this issue now. IEP and other market participants asked for the review of RMR criteria as soon as it became evident, as part of the Must-Offer stakeholder process, that the "local area requirements"

required for a reliable real-time operation of the grid had little if any relationship to the outdated RMR criteria.

Throughout the MO stakeholder process there was participation from the grid planning department, the DMA, Operations and other critical departments, and it was our request that the RMR evaluation occur sooner rather than later (Request made in late fall of 2003). It is now nearing the end of May and it is our hope this late date is not an indication of the CAISO's commitment to consider modifying this criterion.

Luckily a lot of analysis and work has already been done as part of the Must-Offer process that can easily be folded into the evaluation of the RMR criteria. We would hope that this good work will not be ignored. We would also suggest that the responsible parties within the CAISO for MD02, Must-Offer, LMPM, RAR, Real time operations, and RMR participate in this process. It is only with the collective commitment from all of the CAISO as well as market participants that we have any hope in resolving this issue and establishing a clear set of criteria that all market participants can follow.

Once again we look forward to this process, if there is anything IEP or our members can do please do not hesitate to ask.

Thank you.

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