Ms. Sonja A. Anderson
Acting Power Marketing Manager
Sierra Nevada Region
Western Area Power Administration
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Re: Notice of Proposed Final Resource Adequacy Plan for Transactions in the California Independent System Operator Corporation's Balancing Authority Area

Dear Ms. Anderson

In accordance with the Notice of Proposed Final Resource Adequacy Plan for Transactions in the California Independent System Operator Corporation's Balancing Authority Area published in the Federal Register on April 25, 2007 ("Notice")[1], please find the comments of Southern California Edison Company ("SCE"). SCE appreciates this opportunity to provide comments on the proposed Final Resource Adequacy Plan ("proposed RA Plan") for transactions by Western Area Power Administration ("Western") in the California Independent System Operator Corporation ("CAISO") Balancing Authority Area, and hopes that these comments will be reflected in the finalized RA Plan implemented by Western. As explained below, SCE is concerned with three aspects of the proposed RA Plan.

First, in the Notice, Western states that it "has concluded that a minimal amount of Western CAISO load "may be subject to Local Capacity Area Resource requirements ("Local RAR") charges, and that, therefore, Western is "not anticipating the need to procure Local RA Capacity associated with this requirement" of the CAISO's MRTU Tariff. (72 FR at 20532). Although Western has indicated that it is developing its proposed RA as a Local Regulatory Authority ("LRA"), it is SCE's understanding that currently Western is a Scheduling Coordinator in the CAISO. Under the CAISO's MRTU Tariff, CAISO has the responsibility to determine the Local RAR requirements that must be satisfied by all Scheduling

[1] 72 FR 20528.

Coordinators in the CAISO Balancing Authority Area. CAISO must also collaborate with the CPUC, LRAs within the CAISO Control Area, and other market participants to establish the parameters, assumptions, and other criteria to be used and described in the technical study that permit compliance with Applicable Reliability Criteria. (Sections 40.3.1 and 40.3.2 of the CAISO MRTU Tariff.)

The CAISO MRTU Tariff specifies the method by which Local RAR will be allocated to "Non-CPUC Load Serving Entities" in Section 40.3.2 (i). Specifically, any such Load Serving Entities with load in a TAC Area will be allocated a proportion of the total TAC Area Local RAR based on that LSE's coincident peak load in that TAC Area. Given this specific MRTU Tariff requirement, Western's final RA Plan should contain a detailed plan for how Western will meet its Local RAR, and should not simply be based on an assumption that Western's Local RAR obligations will be "minimal".

Second, the proposed RA Plan indicates that "beginning in 2008 and beyond Western will continue to procure RA Capacity in the same manner as identified in the Current RA Plan (10 percent in June through September and 5 percent in all other months.)" (72 FR at 20533). SCE believes that the reserve margin percentage for the RA Capacity procured by Western should not vary on a monthly basis. Although the amount of actually needed reserves may vary as a function of monthly peak load, the required percentage of reserve margin should not vary from months to months or season to season.

Additionally, SCE is concerned that the 5-10% reserve margin proposed by Western may prove inadequate. For example, both the CPUC and the CAISO, in the MRTU Tariff (Section 40.2.2.1(b)) have determined that 15% of the monthly peak load is the appropriate margin for the procurement of reserves. In fact, when CAISO has operating reserves below 7% for its system, this margin is considered so low as to constitute a Stage Emergency. As such, SCE would suggest that Western adopt a higher reserve margin and assure that this reserve margin is uniform throughout the year.

Third, Western proposes to use Liquidated Damages ("LD") Contracts to meet its RA Plan Capacity requirements. (72 FR at 20532.) The proposed RA Plan, however, does not explain what if any limits

Western will set on LD Contracts used to meet Western's RA Capacity requirements. The CAISO MRTU Tariff provides that a "Scheduling Coordinator, however, cannot have more than 75% of its portfolio of Qualifying Capacity met by contracts with liquidated damage provisions for 2006. This percentage will be reduced to 50% for 2007 and 25% for 2008." (Section 40.8.1.5) SCE believes that Western should adopt this limitation for the RA Capacity requirements that Western intends to meet through its LD Contracts, unless Western is relying, for RA Capacity purposes, solely on LD Contracts with firm transmission to a tie point *i.e.* import LD Contracts. In the case of such import LD Contracts, the limitations set forth in the CAISO MRTU Tariff will not be necessary, but Western should clarify, for avoidance of doubt, the nature of the LD Contracts at issue.

Again, we appreciate the opportunity to provide these comments. Please do not hesitate to contact myself or Mr. David Schiada at 626-302-5262 if you have any concerns.

Sincerely,

Anna J. Valdberg