→ Mkt not as efficient.

TRADERS' LIST OF MAJOR PROBLEMS WITH THE CALIFORNIA WHOLESALE MARKET

Algorithm – how it works

1. Information – more PMI, Path 15, Congestion Mngmt. how it work
2. How OOM works –
   a. Want to know who sells MW, how much and price (Information again)
   b. This is a problem because
      1. ISO pays more than the price cap and to *our* customers
      2. Price doesn't get reflected in the market price – which makes the market less efficient
      3. We don't get asked to provide it
3. California checkouts on intra-hour changes – Other control areas won't do it (especially BPA). ISO wants *us* to negotiate with the other Control areas.
4. Inc/Dec. problem we pointed out in our Amendment No. 29 filing – Less power is being sold into the ISO since this filing because customers don't want to take the risk that they'll bid in an inc. price and end up having to pay a dec price.
5. Oppose draconian measures to "fix" the market
   a. Oppose return to cost-based rates and
   b. FERC approval of forward contracts
   c. Opposed putting together PX & ISO
6. ~~Algorithm not avai~~

No. 1 w/sub categories

Bob Wilson ~~agrees~~ This is a problem

Really is a penalty for liquidating real time

Proposed solutions coming out

Prefer – Incentives rather than penalties

Push into Forward Mkt.

Trans Exch.

Anc. → Service competitive

w/info. → opposite true – cite

No collusion Mkt Monitoring Committee

→ $250 doesn't work
need $1000 to incent gen.
& lets demand bid in

– Timing of making a filing →

6. Governance should be reformed → Tell Jim will put in RTO filing

→ Tariff language – on top 5 ←
* Give them detail ← How ←

James D Steffes@EES
08/17/2000 06:18 AM

To: Tim Belden/HOU/ECT@ECT, Jeff Dasovich/SFO/EES@EES, Mary Hain/HOU/ECT@ECT, Susan J Mara/SFO/EES@EES, Mona L Petrochko/SFO/EES@EES, Bruno Gaillard/SFO/EES@EES, Sarah Novosel/Corp/Enron@ENRON, Paul Kaufman/PDX/ECT@ECT, Joe Hartsoe/Corp/Enron@ENRON
cc: Steven J Kean/HOU/EES@EES, Richard Shapiro/HOU/EES@EES
Subject: FERC INVESTIGATION IN CA - What should they be looking for?

As we begin to meet with FERC Staff on the Wholesale market issues related to CA problems, I think that we need to put together a list of questions that FERC needs to be asking Western power market participants.

The following are some questions that I think are important to have FERC ask; I'm sure there are more.

1. Were California utilities underscheduling load into the PX day ahead market?
2. How many MWs did the CA ISO procure during each hour during the Summer 2000? How does this compare with CA ISO procurement during 1999?
3. Has PG&E changed its bidding behavior associated with its Hydro facilities in 2000?
3. Are there baseload facilities that were operated differently in 2000 than in 1999?
4. Were any generation plants off-line due to unplanned maintenance during Summer 2000?
5. How did the CA ISO demand side program work? Why didn't more load participate?
6. What options did SDG&E have to "hedge" its retail rates? What were prices in the CAL PX block forward market on Jan 15, 2000 and May 15, 2000?
7. How high did natural gas prices go in California for generation during Summer 2000?
8. Were other Western power markets prices higher (year-on-year)?
9. Did the CA ISO Board face political pressure to reduce bid caps? Is this appropriate for a FERC jurisdictional entity?
10. What specific details is SDG&E referring to in its Complaint on "unworkably competitive" CA ISO markets? Can these be fixed "quickly"?

Please add other questions.

Jim