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May 27, 2004

Via Overnight Delivery

Hon. Blanca S. Bayo, Director
Commission Clerk and Administrative Services
Florida Public Service Commission
2540 Shumard Oak Blvd.
Tallahassee, FL 32399-0850

Re: *Review of GridFlorida Regional Transmission Organization (RTO) Proposal,
Docket No. 020233-EI
Post-Workshop Comments of Reedy Creek Improvement District – Market
Design Issues*

Dear Ms. Bayo:

Please find enclosed for filing in the above-referenced matter an original and fifteen copies of the post-workshop comments of Reedy Creek Improvement District on Market Design Issues. A copy of this filing will be distributed on May 28, 2004 to parties in this proceeding via the GridFlorida E-mail Exploder List.

An additional copy of this filing labeled "stamp and return" also is enclosed. Please stamp the date and time on that copy and return it to me in the enclosed self-addressed, stamped envelope.

Thank you for your attention to this matter. Please do not hesitate to contact me should there be any questions.

Respectfully submitted,

/s/ Daniel E. Frank

Daniel E. Frank
Counsel for
Reedy Creek Improvement District

Enclosures

cc: Parties (via E-mail)

DOCUMENT NUMBER-DATE

06097 MAY 28 5

Atlanta

Austin

New York

Tallahassee

Washington, DC
FPSC-COMMISSION CLERK

**Comments of Reedy Creek Improvement District
on GridFlorida Market Design Workshop
(May 27, 2004)**

Reedy Creek Improvement District (RCID) submits the following post-workshop comments on GridFlorida market design issues. RCID reserves the right to supplement these comments, and to endorse or oppose the positions of other parties concerning these issues, as the issues and positions are developed.

RCID submitted pre-workshop comments on market design issues on May 13, 2004. Based on the discussions at the May 19, 2004 workshop, RCID clarifies and/or adds to the positions set forth in its pre-workshop comments, as set forth below. RCID continues to evaluate those issues on which it has not expressed a position, and looks forward to a comprehensive market design proposal; only with such a comprehensive proposal will parties be able to understand and evaluate how all of the individual components will work together. RCID offers the comments below in the spirit of advancing the process toward developing such a comprehensive proposal.

Issue 1 – Market Design and Congestion Management

How to Price Energy – RCID continues to support a hybrid approach in which bilateral contracts and self-scheduled generation are permitted along with a centralized market. This approach provides for the greatest amount options for market participants. Because a consensus appears to have emerged, RCID also can support a single market-clearing price approach (as opposed to a pay-as-bid approach), but agrees with other market participants that such an approach must be predicated on effective market power mitigation measures being in place.

Market Settlements – RCID can support a two-settlement system (day-ahead and real-time markets), assuming that bilateral contracts and self-scheduled generation remain options.

Cost-Based vs. Market-Based Bids – A market-based bid approach is preferable, assuming all market power issues have been sufficiently resolved.

Mandatory Bidding Requirement – RCID opposes a mandatory bidding requirement that does not take into account the various limitations on resource output, including contractual restrictions and environmental permit limitations. A voluntary bidding approach would be preferred, so long as all market power issues have been sufficiently resolved.

Control Area Structure – RCID continues to support a hierarchical control area approach. As a load-serving control area operator, RCID is not prepared at this time to turn over control of its control area functions to the RTO.

Ancillary Services – RCID continues to believe that a control area should have the right, but not an obligation, to self-supply ancillary services. RCID would support the eventual development of a market for ancillary services in which generators could offer ancillary services for sale. In any such market, the RTO should not have the authority to compel control areas to supply ancillary services. Market-based pricing for sales of ancillary services should be permitted, but only if all market power issues have been sufficiently resolved.

Losses – A consensus seems to have emerged in favor of the use of average (as opposed to marginal) losses. RCID can support this approach. RCID also continues to support the right to self-supply losses and to obtain losses centrally. Finally, RCID believes that the return in kind of losses should be permitted (but not required).

Issue 2 – Market Monitoring and Market Power Mitigation

Structure of Market Monitor – RCID continues to prefer the as-filed independent board approach (in which the Market Monitoring Unit (MMU) has an independent board).

Funding of MMU – RCID supports the use of an established budget, but believes that additional funding should be made available as needed to address special or unforeseen issues and problems that may arise.

Functions – RCID continues to agree that the following are necessary and appropriate functions to be undertaken by the MMU: monitoring of RTO-administered markets, compliance with the RTO's tariffs, and RTO operations, and reporting to FERC and the FPSC.

Mitigation Measures – RCID continues to believe that a \$1,000/MWh cap seems excessive for peninsular Florida.

Issue 3 – Resource Adequacy

Authority to Establish – RCID continues to believe that the FPSC should maintain its role in establishing resource adequacy requirements. There also appeared to be a consensus at the workshop regarding this approach.

Issue 4 – Treatment of Capacity Benefit Margin

General – RCID is concerned that reserving CBM will needlessly tie up available capacity in peninsular Florida.

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