

California Department of Water Resources State Water Project Comments on CAISO's FERC Order 764 Compliance Workshop

April 16, 2013

On April 2, 2013, the CAISO held a FERC Order 764 Compliance Workshop. The reason for this workshop was to present and review the new 15-min scheduling and settlement initiative outlined in CAISO's Order 764 Compliance, 15-Minute Scheduling and Settlement Draft Final Proposal, dated March 26, 2013.

In general, DWR supports CAISO's efforts to comply with FERC Order 764. This order makes it easier for variable energy resources (VERs) to participate in the energy market by allowing them to provide more frequent and granular energy forecasts closer to real-time. CAISO also attempts to address existing market inefficiencies by introducing a new 15-min market and settlement. By resolving some market inefficiencies, the CAISO proposes to reinstate convergence bidding at the interties.

DWR's comments and concerns are as follows:

1. DWR does not support convergence bidding to be reinstated at the interties at the same time Order 764 changes are implemented in the market. Intertie convergence bidding should be phased in, if at all, over time. Order 764 brings about major real-time scheduling and settlement changes to intertie resources. One of the major market inefficiencies that the CAISO plans to correct with implementation of 15-min scheduling and settlement is the fact that current HASP and RTD optimizations are run at different time delays with different market interval durations. When intertie convergence bidding was allowed (between 2/1/11 to 11/28/11), real-time market pricing issues developed – most notably causing excessive real-time imbalance energy offset (RTIEO) costs and allowing market gaming. The new market rules implemented with Order 764 should be allowed to run for at least one year without intervention from intertie convergence bidding. Price divergence and RTIEO costs should be closely monitored and reported during this time. This observation period will provide a baseline to make future comparative analysis.
2. Only after the one year minimum observation period has passed, DWR recommends that a stakeholder process be started to evaluate the benefits of reinstating intertie convergence bidding. Reinstatement of convergence bidding should not be automatic. CAISO should quantitatively show and stakeholders should agree that the benefits of reinstating intertie convergence bidding will outweigh the costs.

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3. Reinstatement of intertie convergence bidding should only be considered after both the year observation period has passed and the stakeholder process has been completed. If at that time the decision is to restart intertie convergence bidding, the dual constraint and position limits (as outlined in sections 8.2 and 8.3 of the Draft Final Proposal) should be followed.
4. At any time, CAISO should be able to suspend intertie convergence bidding if it is found to cause unnecessary uplift costs or RTIEO costs.
5. DWR agrees with the CAISO that convergence bidding should not be allowed between the 15-min market and RTD.