CDWR-SWP Comments to CAISO on Convergence Bidding and Bid Cost Recovery

October 31, 2008

The California Department of Water Resources State Water Project (CDWR-SWP) appreciates the opportunity to provide comment to the California Independent System Operator (CAISO) October 16, 2008 Convergence Bidding stakeholder meeting. As part of the continuing (CAISO) Markets and Performance (MAP) initiatives due to be implemented one year after Market Redesign and Technology Upgrade (MRTU) “Go-Live”, Convergence Bidding (CB) / Virtual Bidding (VB) is being considered as a Market enhancement along with changes to Bid Cost Recovery (BCR).

CDWR-SWP supports implementing CB as an aid in reducing LMP differences between DAM and RTM and is preferential to cost causation principles when allocating BCR.

In response to CAISO pre-formatted questions, CDWR-SWP offers the following:

Section 1 – MAP Program Update
1. Are you interested in Joint Application Development (JAD) sessions for test scenario development for element of MAP, like Convergence Bidding?

   Not at this time.

Section 2 – Resource IDs for Convergence Bidding
1. Of the options presented in the white paper, are there any that are completely unworkable for you?

   Yes, Option 1 creates too many Resource ID’s requiring undue overhead.

2. Do you have a preference among the options presented?

   Yes, a hybrid between Options 4 and 5.

3. Other comments?

   If CAISO can create an interface screen / GUI with drop down selection tools to select node, supply or demand, MW, and price, every SC can bid relative to their respective SCID and credit limitations. CAISO will develop a CAISO internal universal Master File like database to validate the submitted Virtual Bids.
Section 3 – Cost Allocation for IFM, RUC and RTM Bid Cost Recovery Uplift Charges

1. Do you have any comments generally about cost allocation for virtual bids, or specifically about the discussion on IFM and RUC uplift charges for virtual bids?

CDWR-SWP prefers CAISO’s proposal regarding uplift charges for virtual bids.

   A) Do you have a preference among the options reviewed in the issue paper?

   Option 1 – Each SC’s need for inc or dec energy across their portfolio if aligned with the total system need for inc or dec energy would determine allocation for Tier 1 Real-Time uplift. This includes both virtual supply and virtual demand.

   B) Do you have other thoughts on how costs should be allocated in Tier 1 for Real-Time uplift?

   As indicated in CDWR-SWP comments on Outstanding Issues on the California Independent System Operator’s Market Redesign and Technology dated November 16, 2006,

   “Since RTM BCR is incurred to address both incremental and decremental uninstructed demand deviations in the RTM; the Tier 1 rate of RTM BCR should be the RTM BCR cost divided by the sum of the absolute value of the uninstructed demand deviations of each Scheduling Coordinator. …”

   A rate cap for Tier 1 should be calculated as a percentage of RT LMP, say 10% thereby each SC has an indication of their exposure for uninstructed deviations.

   C) Do you have a preference on what the denominator should be for the calculation of the Real-Time Tier 1 purchase rate?

   Absolute Value of Real-Time uninstructed incs and decs.

3. Additional comments?

   The equitable distribution of Tier 2 costs requires that Measured Demand include Unaccounted for Energy (UFE). In addition, CB should be implemented at the nodal level.