

California Public Utilities Commission

Phase 2 - Virtual Bidding Information Release Proposal January 27, 2010

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Phase 2 Stakeholder comments should be submitted to: Phase2CB@caiso.com

As a follow-up to the CAISO's Draft Final Proposal of January 15, 2010¹ on Convergence or Virtual Bidding (VB) Data Release as well as discussions of the CAISO Market Surveillance Committee (MSC) meeting of January 22, 2010 with stakeholder participation, the CPUC staff supports the CAISO's latest VB Data Release proposal. The CPUC staff commends CAISO staff for balancing stakeholder concerns in the January 15 final draft proposal.

CPUC Staff Supports CAISO's January 15 Proposal of Releasing Daily Net Cleared Virtual Quantities by Node

The CPUC staff believes that the CAISO's final VB data release proposal, originally recommended by the MSC, strikes a balance between market participants' interests, encouraging competition without divulging business sensitive confidential information. The CAISO's decision to move from zonal to nodal virtual bidding was based on the argument that the full benefit of virtual bidding can only be achieved at the nodal level. Similarly, releasing daily nodal virtual data is necessary to ensure a competitive virtual bidding market. The daily information release is crucial given the dynamic nature of the CAISO market. The CPUC staff agrees with the MSC that since

¹ California ISO: Draft Final Proposal on Data Release and Accessibility, Phase 2 Convergence Bidding Data Release, January 15, 2010.

the CAISO already will be collecting the net cleared quantity of virtual bidding information at every node, releasing such information will provide benefits to all market participants such that no one market participant can have a VB information advantage over the others.

CPUC staff was surprised to hear the MSC's presentation at the January 22 meeting in which the MSC emphasized that the real benefit of virtual bidding may be to reduce the total cost of meeting load while price convergence is actually an illusory benefit. This analysis would have been even more helpful two years ago at the beginning of the stakeholder process, before the CAISO chose to adopt the euphemism "convergence bidding."

CPUC Staff supports CAISO proposal of Releasing Day Ahead Market Summary Report

Table 3 of the proposal (p. 10) shows the format of the Day-Ahead Supply and Demand Report that the CAISO plans to release. The CPUC staff supports the release of system wide as well as Load Aggregation Point data as shown in Table 3. However, it is not clear from Table 3 how CAISO will release intertie data.

Conclusion

The CPUC staff is pleased that the CAISO's latest VB information release proposal, if not perfect will nonetheless be beneficial to all market participants. The proposal states (p. 9) that since the granularity of information release will not require CAISO Board or FERC approval, the CAISO will have the flexibility to consider modifications to the information release policy in the event of demonstrated harm to the market. In the same spirit, the CPUC staff agrees with the MSC that if more information release proves to be necessary and provide significant benefits to all market participants and ratepayers, CAISO should consider releasing additional market data as appropriate.