

J.P. Morgan Comments on CAISO Straw Proposal on Data Release & Accessibility Phase 2: Convergence Bidding Data Release

Submitted by	Company	Date Submitted
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General Comments

J.P. Morgan Ventures Energy Corporation and BE CA, LLC (collectively, "J.P. Morgan") appreciates this opportunity to provide comments on the California ISO's (CAISO's) December 31, 2009, Straw Proposal entitled Data Release & Accessibility Phase 2: Convergence Bidding Data Release ("Straw Proposal").

As stated in J.P. Morgan's November 23, 2009, comments on the Phase 1 data release effort, transparent markets facilitate better risk management and lead to greater liquidity. As market results become more consistent and predictable, market participants can better assess and manage the risks of market participation and thus are likely to increase their participation in the market. J.P. Morgan therefore generally supports the timely release of important market information. However, J.P. Morgan does not support the short-term release of individual market participant bid data, or market data that could reveal the bids or bidding strategies of individual market participants.

J.P. Morgan concurs with the concerns raised by both Dynegy and the Western Power Trading Forum ("WPTF") in their comments on the CAISO's December 3, 2009, Issue Paper on this matter.¹ In those comments, and as acknowledged by the CAISO in the Straw Proposal, the daily release of nodal bidding information could reveal the individual bidding strategies of resources located at those nodes. Specifically, Dynegy states in its comments:

Dynegy is concerned that posting net cleared virtual bids at each node at the close of the Day-Ahead market could disclose commercially sensitive information. For example, posting net cleared virtual positions at generator nodes will effectively disclose how Dynegy – or any other physical supplier – is using convergence bidding to hedge its units' production against realtime price risk. Dynegy cannot anticipate where and how other parties

¹ See comments posted at <http://www.caiso.com/2479/2479df7147660.html>

will be submitting convergence bids, but does not expect that other parties will be bidding at Dynegy's generator nodes in ways and volumes similar to how Dynegy may use convergence bids at those nodes to hedge its physical units against real-time price risk. Consequently, Dynegy expects that disclosing net cleared virtual demand positions at all nodes – including Dynegy's generator nodes – would effectively disclose Dynegy's hedging strategy.

J.P. Morgan shares these concerns. In light of the fact that no other organized market that has implemented nodal convergence bidding has an information release policy similar to that proposed by the CAISO in its Straw Proposal, J.P. Morgan recommends that the CAISO not move forward at this time with its proposed policy. Further analysis of these issues is warranted and it is unclear why the CAISO believes it is necessary to change its convergence bidding information release policy at this time. While J.P. Morgan supports the CAISO's proposal to finalize and submit to FERC in February 2010 all convergence bidding related tariff language, J.P. Morgan recommends that such language be consistent with the CAISO's final convergence bidding design proposal. In that proposal the CAISO stated that:

The ISO proposes to post the clearing quantities of virtual bids on the same schedule and to the same level of specificity as the release of information on physical bids. In particular for physical bids, hourly Day Ahead LMPs identifying energy, congestion and losses at each Pnode and APnode are posted to OASIS at 1:00 pm PST. Megawatt-hour quantities of cleared bids for physical load and generation cleared at each location are released 180 days following the trade date. Certain fields are omitted to mask the obvious identity of the Scheduling Coordinator. The ISO proposes that the same policy with regard to information release be applied to virtual transactions. Specifically, the ISO proposes that the MWh volume of convergence bids at each node be released 180 days following the trade date. This is consistent with practices in other ISO markets.

Notwithstanding J.P. Morgan's opposition to the daily release of nodal convergence information, J.P. Morgan does support the CAISO's proposal to issue a "Daily Market Summary Report" in the form outlined in the Straw Proposal and consistent with those provided by both the MISO and NYISO.

Conclusion

J.P. Morgan does not support the daily release of nodal convergence bidding information, especially information that could disclose an individual entity's bids or bidding strategies. A data release policy that contemplates the release of such information requires further analysis and consideration; a process that can still occur prior to implementation of convergence bidding. To the extent that the CAISO believes that changes are warranted and need to be codified in the tariff

language at this time, J.P. Morgan can only support the adoption of a policy that provides for the issuance, as proposed by the CAISO, of a Daily Market Summary Report at the system, LAP, and perhaps inertia level.

J.P. Morgan appreciates the opportunity to provide these comments and looks forward to continued discussion with the CAISO and stakeholders on this matter.