



GREAT BAY ENERGY

Great Bay Energy, LLC Comments on Draft 2015 Stakeholder Initiatives Catalog; Section 7.3 Implement Point-to-Point (PTP) Convergence Bids (CBs).

Great Bay Energy, LLC supports the approval of Section 7.3 Implement PTP CBs.

PTP CBs provide improved grid reliability by better pre-positioning the Day Ahead Market (DAM) for the Real Time Market (RTM) prices and constraints thus allowing better constraint management (smaller in size and magnitude).

PTP CBs improve overall market efficiency by better aligning convergence bids with constraints. Increment (INC) and decrement (DEC) convergence bid pairs submitted on either side of a constraints may not clear for the same number of megawatts. A PTP CB will clear on both sides of a constraint by definition. It allows constraints to be solved in the DAM at lower cost and with less uplift.

PTP CBs also improve overall market efficiency by allowing better risk management for Market Participants (MPs). MPs do not have to submit price taking pairs of INCs and DEC when bidding on constraints, and thus unwillingly expose themselves to unrealistic levels of DAM shadow prices that are unlikely to materialize in RTM. PTP CBs allow bidding in a price sensitive manner for the congestion between two points. There is also no risk of exposure to system energy price due to asymmetric clearing, which is always present when bidding an INC and DEC pair. In PTP CBs, INCs and DEC always clear together. PTP CBs also reduce the overall risk to the market by preventing market participants becoming extremely long or short.

PTP CBs should be highly desired by stakeholders as they eliminate energy price uncertainty ultimately lowering the energy prices to consumers. MPs should have no opposition to an instrument with multiple upsides and no downside.

PTP CBs should cause little to no MP implementation impact. A given market participant may choose to participate in the PTP CBs bidding as they see fit.

PTP CBs should be straight forward for the CAISO to implementation. Since CAISO already has wheeling transactions implemented in its clearing system, it seems to be a matter of extending those to include internal convergence bidding locations to enable PTP CBs bids to clear alongside INCs and DEC system-wide. Other markets, such as PJM and ERCOT, have successfully implemented PTP bids (aka "Up-to-Congestions" and "Point-to-Point Obligation"). MISO is investigating the implementation of such PTP bids which was recommended by their IMM.