Southern California Edison (SCE) appreciates the opportunity to comment on the CAISO’s Key Elements for the Conceptual Proposal for Convergence (Virtual) Bidding in the MRTU Markets – Cost Allocation for Virtual Bids dated May 31, 2007.

In its conceptual proposal, the CAISO proposes that tier 1 IFM (CT 6636) and RUC (CT 6806) charges be allocated to net virtual demand and net virtual supply and that virtual bids be exempt from RTM Uplift (6807) charges under the single Tier RTM BCR cost allocation approach currently filed and all ancillary services, GMC, FERC Fee, and other charges.

SCE offers the following comments:

**Netting:**

In the CAISO conceptual proposal, it proposes that tier 1 IFM and RUC charges be allocated to net virtual demand and net virtual supply.

SCE opposes the generalized netting concept. For example, if a SC bids its virtual demand at a LAP and virtual supply at another LAP, it will have an impact on the commitment of physical generating units in the IFM and RUC processes. However, SCE is willing to accept netting at the LAP level.

**Exemptions of Charges:**

SCE supports the CAISO’s proposal to exempt virtual bids from all ancillary service related charges and other charges (not listed here) and agrees virtual bids should not be eligible for the Marginal Loss Surplus (MLS) rebate. However, SCE opposes the CAISO’s proposal to exempt virtual bids from Real-time Market Uplift Charges, FERC Fee charges, and some GMC charges.

Real-time Market Uplift Charges (CT 6678) include costs for resources committed in the real-time market. Virtual supply cleared in the IFM becomes demand in real-time and has an impact on the commitment of physical generating units. Therefore, virtual supply should not be exempt for this charge type. If the CAISO thinks that it is more proper to charge virtual supply for tier 1 Real-time Market Uplift Charges, SCE will support making this change in the CAISO’s tariff filing.

GMC (CT 4575, 4534, and 4511) is for the CAISO services related to settlements, client relations, forwarding scheduling, and market usage. Virtual transactions will need these services provided by the CAISO, so that it is not proper to exempt virtual transactions
from these charges and SCE believes that these charge types should apply to virtual transactions. Furthermore, convergence/virtual bidding is part of the CAISO market under FERC jurisdiction and, as such, virtual transactions should not be exempt from the FERC fee (CT 525, 550, and 551).