The Western Power Trading Forum (WPTF) appreciates the opportunity to submit comments on the CAISO’s preliminary Convergence Bidding (CB) policies and open issues.

Spatial granularity

WPTF strongly encourages the CAISO to not characterize this as a resolved issue. This issue has been discussed but WPTF believes that the discussions any provision of substantiated information about the need for, or benefits of, any limits to granularity. Certainly there is not consensus on this issue. WPTF requests that the CAISO revisit this issue and/or provide technical bases for any such restrictions. WPTF would be pleased to provide the rationale previously submitted (see, for example, WTPF’s extensive November 2007 comments) and any additional data that may be useful toward this discussion.

Cost Allocation

WPTF encourages the application of cost-causation to the virtual transactions as a starting point for the consideration of the application of charges. This suggests that since the CAISO procures ASs based on its load forecast, there is no incremental cost from CB and there should be no resulting cost allocation. Similarly, any consideration of allocation of other costs such as commitment costs to CB should consider symmetrically all costs and cost offsets (e.g. cost reductions in RUC of added commitments in the IFM as an offsetting cost to IFM commitment costs).

Credit/Collateral Requirements

Credit requirements for CBs should be commensurate with the risks created by the bids but no more than this. It would be punitive to apply credit requirements beyond that needed to offset the market’s risks and would be counter-productive to the CB process. If the levels of CBs need to be limited, this should be accomplished through clear position limits, not through the layering on of administrative costs that simply result in a welfare loss to the market and to market inefficiencies.

GMC Costs

WPTF would be pleased to participate in a discussion related to allocating GMC costs on a cost-causation basis to CB transactions.