

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

XO Energy believes Section 7.3 Implement Point-to-Point (PTP) Convergence Bids (CBs) is a highly desirable initiative.

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

PTP Convergence Bids 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 constraint may not clear for the same number of megawatts. A PTP Convergence Bid 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 Convergence Bids 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 pairs when bidding on constraints, and thus unwillingly expose themselves to unrealistic levels of DAM shadow prices that are unlikely to materialize in RTM. PTP Convergence Bids 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, INCs and DEC pairs always clear together. PTPs also reduce the overall risk to the market by preventing market participants becoming extremely long or short.

PTP Convergence Bids should be highly desired by stakeholders as they eliminate energy price uncertainty. There is no reason to see why such instrument, with multiple upsides and no downside, would not be welcome by MPs

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

PTP Convergence Bids should be straight forward for the CAISO to implement. 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 bids to clear alongside INCs and DEC pairs 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.

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