

XO Energy Comments on Revised 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.

We also believe the high level ranking performed by CAISO ranked the initiative too low with the following justification:

Grid Reliability

We believe 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.

We believe it should have received a “7” for this criteria instead of a “3”.

Improving Overall Market Efficiency

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.

We agree with the ranking of “7” for this criteria.

Desired by Stakeholders

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

We agree with the ranking of “7” for this criteria.

Market Participant Implementation Impact

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. Some market participants already engage in these type of trades in other ISOs and any market participant participating in the CRR market is already performing this type of trade.

Hence, we believe it should have received a “10” for this criteria instead of a “3”.

ISO Implementation Impact

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 DECs 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.

We believe it should have received a “7” for this criteria instead of a “3”.

Our draft of a ranking would therefore be a **38** as opposed to the 23 assigned by CAISO.

Section 6.7 Outage Notification Requirements

XO Energy believes Section 6.7 Outage Notification requirements is a highly desirable initiative.

We also believe the high level ranking performed by CAISO ranked the initiative too low with the following justification:

Grid Reliability

We believe greater transmission outage transparency would improve grid reliability by providing more detail and more warning of pending outages. This in turn would allow for better coordination between major outages that could impact the overall grid.

We believe it should have received a “7” for this criteria instead of a “0”.

Improving Overall Market Efficiency

Greater transmission outage transparency improve overall market efficiency by addressing the gap between outage submission and the actual reporting of outages. This would improve market participants’ ability to value products (CRRs) and provide situational awareness for resource owners that might be impacted by the outage.

We believe it should have received a “7” for this criteria instead of a “3”.

Desired by Stakeholders

Greater outage transparency has come under discussion in other CAISO led forums. Bi weekly Market Update and Congestion Revenue Rights are two forums where many market participants have expressed the desire for more transparency.

We believe it should have received a “7” for this criteria instead of a “3”.

Market Participant Implementation Impact

We agree with the ranking of “7” for this criteria.

ISO Implementation Impact

We agree with the ranking of “7” for this criteria.

Our draft of a ranking would therefore be a **35** as opposed to the 20 assigned by CAISO.

Section 6.5 Long Term Congestion Revenue Right Auction

XO Energy believes Section 6.5 Long Term Congestion Revenue Right Auction is a highly desirable initiative.

We also believe the high level ranking performed by CAISO ranked the initiative too low with the following justification:

Grid Reliability

We believe market participants being able to see the results of longer term CRR auctions would identify areas in the grid where long term congestion is expected which in turn would identify areas that are likely targets of transmission enhancements.

We believe it should have received a “7” for this criteria instead of a “0”.

Improving Overall Market Efficiency

Longer term auctions will provide more transparency in CRR pricing which will provide more pricing data for the shorter term auctions. Market participants will be able to bid more confidently and productively

We believe it should have received a “7” for this criteria instead of a “3”.

Desired by Stakeholders

At last count (Dec 2014), there were 50 market participants active in the CRR market. Many of these are already taking annual positions in addition to monthly positions. We believe it is reasonable to believe that many stakeholders would use the longer term auctions even though they may not have expressed specific interest in this initiative during the catalog process.

We believe it should have received a “7” for this criteria instead of a “3”.

Market Participant Implementation Impact

We agree with the ranking of “7” for this criteria.

ISO Implementation Impact

We don't understand how ISO assigned a 3 to this category. It seems implementation of long term auctions would be a variation of the already existing yearly auctions. We don't believe this would be an overly burdensome task.

We believe it should have received a “7” for this criteria instead of a “3”.

Our draft of a ranking would therefore be a **35** as opposed to the 16 assigned by CAISO.

Section 6.6 Multi-period Optimization Algorithm for Long Term CRRs

XO Energy believes Section 6.6 Multi-period Optimization Algorithm for Long Term CRRs is a highly desirable initiative.

We also believe the high level ranking performed by CAISO ranked the initiative too low with the same justification as our comments provided for believes Section 6.5 Long Term Congestion Revenue Right Auction.

Grid Reliability

We believe it should have received a “7” for this criteria instead of a “0”.

Improving Overall Market Efficiency

We believe it should have received a “7” for this criteria instead of a “3”.

Desired by Stakeholders

We believe it should have received a “7” for this criteria instead of a “3”.

Market Participant Implementation Impact

We agree with the ranking of “7” for this criteria.

ISO Implementation Impact

We believe it should have received a “7” for this criteria instead of a “3”.

Our draft of a ranking would therefore be a **35** as opposed to the 16 assigned by CAISO.

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