

Stakeholder Comments Template

Subject: E-Tag Timing Requirements

Submitted by	Company	Date Submitted
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This template has been created for submission of stakeholder comments on the following topics covered in the October 20th Market Notice regarding E-tagging. Upon completion of this template please submit (in MS Word) to etagtiming@caiso.com. Submissions are requested by close of business on **November 4, 2009**.

Please submit your comments to the following questions for each topic in the spaces indicated.

1. What comments do you have relating to issues identify in the Issue Paper dated October 22, 2009, or other issues relating to determining physical Day Ahead schedules?

Barclays Capital and RBS Sempra appreciate this opportunity to provide comments on the CAISO's October 22, 2009 issue paper entitled E-Tag Timing Requirements ("Issue Paper") and the October 29, 2009 stakeholder conference call on the same matter.

The background information related to this initiative states that "The large majority of market participants have voluntarily tagged IFM awards prior to HASP. Several market participants have expressed concern that by not requiring an e-tag for IFM awards prior to HASP, can lead to implicit virtual bidding at interties and feasibility of Day Ahead schedules may be at risk."

While some market participants may be concerned about current processes, Barclays and RBS Sempra believe the CAISO should express an opinion as to whether they agree that the current processes are problematic. To the extent they are, it would be helpful to understand why the current non-performance penalty provisions do not adequately addresses the concern. Neither the CAISO nor any other Market Participant has presented one instance where the lack of a day-ahead tagging requirement has resulted in an operational or reliability problem. Schedules in the day-ahead market represent physical obligations to deliver, and if Market Participants are not meeting their physical obligations, they are subject to penalties specified in Section 11.31 of the CAISO tariff. The reason for the failure is irrelevant – if a Market Participant is under or over delivering on its physical schedule, it should be penalized

for doing so according to the tariff. If the penalties are not strong enough to discourage bad behavior, they should be strengthened. This change is simple, and can be implemented quickly.

Furthermore, the CAISO has an infrastructure in place to monitor Market Participant behavior, and if it believes an entity is participating in a way that is violating any CAISO tariff, including the Expected Conduct provisions (CAISO Tariff Section 37.3.1.1.), it can take action as appropriate.

Requiring tags on a day-ahead basis is likely to significantly reduce the number of bidders in the day-ahead market at the Interties to a very small number of Market Participants, as there are only a few entities that have long-term firm transmission rights into California. Firm service is rarely made available on a day-ahead basis, and some entities don't even post their availability until later in the evening after the pre-scheduling window has closed.

Finally, the CAISO should note that just because an entity has cut a DA tag does not mean that their resource is more "real" than an entity that has committed to the CAISO but has not cut a DA tag. For example, it is possible for entities that own a system of generation to be net importers of energy into their system at the very same time they are committing to and tagging exports from that same system into the CAISO on a day-ahead basis. On the whole, the generation system owner is net short generation on a day-ahead basis, but will meet its obligations through purchases elsewhere in the WECC after the day-ahead tags have been cut. Then, the generation system owner has the ability to change its e-tag up to 20 minutes before the hour to reflect the actual resources that will be used to meet its obligation.

2. What comments do you have regarding maintaining the status quo (Option 1)?

As noted earlier, Barclays and RBS Sempra believe the CAISO should maintain the status quo. Market participants that are not meeting their obligations should be penalized. If the CAISO does not believe the penalties are enough, it should increase the penalties.

3. What comments do you have regarding timing requirement with reporting (Option 2)?

Barclays and RBS Sempra do not support this option.

4. What comments do you have regarding timing requirement with financial implications (Option 3)?

Barclays and RBS Sempra does not support this option.

5. What other solutions would you recommend to resolve issues in number 1 above with no change to the E-Tag Timing Requirement (Option 4)?

Barclays and RBS Sempra suggest that an alternative solution should be to strengthen its penalties for non-performance if the CAISO shares the concerns that have been raised by some market participants. This strengthened non-performance penalty should apply to intertie participants as well as generators located within the CAISO.

6. What comments do you have with the stakeholder timeline?

If the CAISO is moving towards making a change to the e-tagging timeline, it should build in time to work with the WECC to determine whether the change will create any new “seams” issues with surrounding Balancing Authorities.

7. Others?

None