California Public Utilities Commission

Comments on CAISO Straw Proposal: E-tag Timing Requirements Initiative January 7, 2010 Proposal

Submitted By	Company or Entity	Date Submitted
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The CPUC staff appreciates the opportunity to provide comments on CAISO's latest January 7, 2010[1] proposal on the E-tag Timing Requirements Initiative. The CPUC staff recognizes that CAISO's latest proposal is significantly different than its previous December 7, 2009[2] proposal on E-Tag Timing Requirements. The current proposal does not change the timing of E-tag submission. Instead it provides a new approach to addressing the E-tag timing issue, as discussed below. The CPUC staff appreciates the CAISO staff's continued efforts to resolve issues pertaining to E-tagging and virtual bidding.

The CPUC Staff supports CAISO's newly proposed Hour Ahead Scheduling Process (HASP) Rule

The CPUC staff supports CAISO's new proposed HASP reversal settlement rule which will dampen the incentive for implicit virtual bidding on the interties. According to the CAISO's HASP reversal settlement rule, if an import does not E-tag its resource and if the import is able to capture profit (via price arbitrage between the Day-Ahead and HASP markets), then such import will be required to give back its profit. However if the import resource is E-tagged no later than the current E-tag timing requirements (i.e., T - 20 or 20 minutes before the start of the operating hours), then the import resource will be able to keep its profit. We believe that CAISO's latest proposal crafts an effective solution that reduces the incentive for implicit virtual bidding. The HASP reversal settlement rule will discourage implicit virtual bidding and the E-tagging of resources will provide additional reliability to CAISO grid operations. However, the CPUC staff believes that changing the E-tag timing from the current T-20, along with the new proposed HASP reversal settlement rule, could strengthen the current proposal.

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[1] http://www.caiso.com/2717/2717a27c40bf0.pdf.

[2] http://www.caiso.com/247d/247d984f30a60.pdf.

The CPUC staff supports CAISO's Congestion Revenue Right (CRR) Rule Applied to Intertie HASP Reversals

The Congestion Revenue Rights (CRR) Settlement Rule with respect to virtual bidding says that if the CAISO determines that a market participant is both a Convergence Bidder and a CRR holder, and if the market participant engages in virtual bidding resulting in a significant impact on the value of the market participant's CRR in the day-ahead market, then the CAISO will claw back the market participant's additional revenue. This CRR Settlement Rule can only be effective when CAISO can distinguish between virtual and physical bids since the CRR Settlement Rule is only applied to virtual bids that can be identified. The CPUC staff believes that applying the CRR settlement rule at interties to both implicit and explicit virtual bidding will reduce the incentive to conceal virtual bidding flags in the Day-Ahead market.

In conclusion, the CPUC staff believes that CAISO's latest proposal should be able to address the problem with implicit virtual bidding. The CPUC staff further hopes that the proposed HASP settlement reversal rule will enhance CAISO- grid reliability and will benefit California ratepayers.