

Real-time Imbalance Energy Offset Revised Straw Proposal

Citigroup appreciates the opportunity to comment on the Real-time Imbalance Energy Offset Revised Straw Proposal.

1. Suggestion:

Citigroup feels very strongly that the CAISO's consideration of this issue should focus on mid or long-term solutions. We are pleased that the CAISO is refraining from a potential "knee jerk" change to the market and we look forward to working with the CAISO and other market participants in evaluating the options to resolve the market inefficiencies.

2. Emergency Filing:

Citigroup understands that the CAISO is proposing an "emergency" filing if the Real-time Imbalance Energy Offset charge, due to the megawatt volume contribution of convergence bidding transactions, were to exceed 20 million in any 30 day rolling average. Citigroup would suggest that the CAISO thoroughly evaluate the negative impacts to the market, for example;

- 1) Not allowing market participants the flexibility to manage their portfolio within the IFM, HASP and real-time markets to react, adjust to and/or facilitate risk mitigation for reliability, market or portfolio needs.
- 2) Unjustly penalizing market participants that react to market signals in normal market conditions and/or reliability market conditions. This is counterintuitive to purpose of an LMP market.

We also contend that no matter the threshold, that implementation of a penalty, in this scenario, would negatively impact aspects of the market including; liquidity, intertie transactions, reliability, and ability to respond to prices.

3. Convergence Bidding

Citigroup would also like to point out the possibility that convergence bidding is performing its function within the market place. Even if actual convergence is not occurring between HASP and real-time (which convergence appears to have occurred over the last month), convergence bidding has allowed the market to view, react and discuss the obvious disconnect between the IFM, HASP and real-time. This has afforded everyone the opportunity to focus on finding solutions to an inefficiency that has been prevalent since the beginning of MRTU.