

Citigroup Energy Inc. Comments

Real-time Imbalance Energy Offset Draft Final Proposal

Submitted by	Company	Date Submitted
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Citigroup appreciates the opportunity to submit comments based on the CAISO's "Real-time Imbalance Energy Offset Draft Final Proposal."

Background:

The CAISO initially presented a white paper and market proposal for the purposes of reducing the costs, currently burdened by measured demand, under the Real-time Imbalance Energy Off-set charge code. The issue paper focused mainly on the impacts of convergence bidding in relation to the RTIEO charge.

Citigroup has commented throughout this stakeholder process. We continue to echo the positions as outlined in previous comments and would encourage the CAISO to further review the other contributing factors to the RTIEO charge prior to taking drastic measures in removing convergence bidding. From the stakeholder meetings, it was discussed that convergence bidding may have contributed to this charge code's overall costs. It was also discussed that this contribution could be up to ¼ of the overall costs imbedded in the charge code. With the stakeholder process being an effort to evaluate and determine how to alleviate any unnecessary burden to load, based on this charge code, we have failed in providing any insight to the other factors contributing to the overall costs.

Citigroup finds it premature and unnecessary to swiftly denounce convergence bidding at the interties. It's evident that convergence bidding has shed exposure to any disconnect between HASP and RTD, allowing for proper reaction for systems implementation and other enhancements to drive efficiency between HASP and RTD. It's not clear where there are market anomalies between HASP and RTD, and that convergence bidding is not providing a market benefit. However, it is clear that there is a level of convergence that has occurred over the last few months that was not present since the beginning of MRTU. With information from the month of July and as presented in the August 3rd Market Performance and Planning Forum, it is very clear that other factors, including operators biasing the HASP market to accommodate CAISO's incorrect load forecasts and curtailments of energy into the CAISO, can and will be

significant drivers of the of the Real-time Imbalance Energy Off-set charge code. Based on stakeholder conversations, the lack of ramping flexibility based on committed generation and the inflexibility of generation due to self-scheduling of energy, are also factors that potentially contribute to market divergence.

Lastly, Citigroup is not clear why the CASIO has broadened its focus to a market wide “netting” of internal to interties, verses their original “issue” that focused on individual SC “netting.” Whereas the original proposal was flawed, it only focused on individual SC’s contribution to the RTIEO charge based on “netting” of convergence bids, while also looking to include physical transactions. We believe that there are several options to be considered that would not adversely impact physical transactions, however, an increased level of transparency would need to be accomplished around isolated nodes.

Conclusion

We do feel that a more conclusive stakeholder process that attempted to collectively dive into the various options to reduce the RTIEO charge, would have benefitted the overall market.