

Western Power Trading Forum (WPTF) comments on CAISO 12/31/09 Straw Proposal for Convergence Bidding Data  
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WPTF appreciates the opportunity to submit these comments and we appreciate the CAISO's efforts in the stakeholder process.

WPTF agrees with the CAISO that it is important to weigh the costs and benefits of the release of the convergence bidding market results. Certainly WPTF supports transparency. On the other hand, WPTF observes that FERC policy consistently comes down on the side of protecting identifying information when its release can do harm to the legitimate proprietary business interests of market participants.

WPTF does not believe that the CAISO has made a sufficient case at this time that (1) the need for release of nodal virtual quantities without a time lag outweighs the potential harm to nodal participants, nor has the case been made that (2) the current proposal truly offers parity.

To the first point, there is no evidence to suggest that the release of information about the nodal cleared virtual quantities is necessary to ensure liquidity. In fact, that other ISOs have liquid markets without the release of information offers counter evidence to the need for the release. Conversely, if a supplier hedges transactions with virtual bids and it is the only bidder at the node (not an unlikely outcome – especially if it is not at a node with particularly dynamic congestion) then releasing the cleared virtual quantities reveals the hedging strategy to the balance of the market participants. In this case, there would be direct harm to the participant. When there is no evidence of benefit coupled with clear, likely conditions when there would be harm, the balancing analysis supports not releasing the information.

To the second point, WPTF believes that the CAISO has not robustly characterized parity in two respects. First, virtual bids reveal information about a party's expectations about the day-ahead outcome relative to the real-time outcome. To have parity between these financial/virtual transactions and physical transactions would require the release of both the physical day-ahead transactions and the physical real-time transactions at the time of the close of the day-ahead market. In fact, real-time actual information is not – and cannot be – available nodally at the time that the CAISO is contemplating releasing such information. Because of this, parity is not provided by the immediate release of the information at a nodal level. Secondly, parity with respect to protecting confidential information of buyers versus sellers is also not achieved with the current CAISO proposal. Whereas releasing nodal virtual transactions has a nontrivial possibility of releasing a specific *seller's* hedging strategies, given that nearly all the load-serving entities schedule load at the LAP, the CAISO proposal will not release hedging or other strategies that can be mapped to any particular *buyer*.

In summary, WPTF encourages the CAISO to release hourly aggregated system-wide virtual information and to release as much information about individual transactions as possible but consistent with the time lag afforded to physical bids. WPTF requests that the CAISO not release short-run nodal information absent compelling evidence that doing so will increase market value, given the harm that can occur to particular market segments.