E-Tag Timing Requirements

Submitted By:	Company	Date Submitted
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1) What comments do you have relating to issues identified in the Issue Paper dated October 22, 2009, or other issues relating to determining physical Day Ahead schedules?

MSCG would first note that the Issue Paper has not identified a problem. The genesis of the discussion is given as "Certain market participants have expressed a concern that the current e-tag timeline may result in reduced reliability and unintended market impacts". Notably absent, however, is any statement of corroboration from CAISO operations staff, any citation of any specific adverse incident attributable to the current e-tag timing rules, or any specific scenario which might plausibly occur and cause the feared reduced reliability or unintended market impacts that the certain parties want to guard against. As a matter of physics, if power physically can get to the CAISO interties, it will, and the rest is all just a matter of sorting out the accounting. Conversely, a day-ahead tag provides no assurance of real-time physical performance by the generation and transmission elements listed. Therefore, MSCG believes that any posited reliability gains from moving to mandatory Day-Ahead tagging are largely, if not completely, illusory. Absent a clearer identification of a specific problem that needs to be solved, there does not appear to be a justification for making a change.

While MSCG does not see sufficient support for action to resolve the concerns expressed, we do see an issue that should be resolved in this proceeding that isn't explicitly identified in the Issue Paper. That issue is the discussion over the extent of market participants' ability to substitute supply sources at the interties in the HASP. It is our view that the current rules, or at least the ambiguity over the interpretation of the current rules, prevents numerous beneficial economic transactions from taking place at the interties, out of fear of being accused of engaging in "implicit virtual bidding". It is our further view that these transactions, if they were to begin taking place, do not degrade reliability. During the October 30 teleconference, it was stated that one of the goals of this stakeholder process was to develop a way for parties with day-ahead schedules to "prove" that they are physically capable of delivering on their awards. However, as stated in the prior paragraph, the laws of physics and the reality of "tripping risk" make it clear that providing this "proof" does not add any substantive reliability benefit. Therefore the only apparent purpose to be served would appear to be to provide assurance against "implicit virtual bidding". However, there is nothing to prevent an unscrupulous party from putting together a day-ahead tag with no intention of following through on it, simply changing the tag later or failing to perform.

We simply do not see the value in trying to put a huge administrative effort into trying to parse which bids are "real" and which are "virtual". Failure to deliver should be the real concern, and the reason for that failure irrelevant. The tariff already provides for penalties for failing to deliver. Those provisions should be invoked as needed, and stiffened if found to be an insufficient deterrent. Obsessing over “implicit virtual bidding” prevention is simply not worth the trouble. Instead, the CAISO should embrace a goal of encouraging economic transactions to substitute cheaper real-time power for more expensive day-ahead arrangements, when available. It can and should do this by explicitly stating in its tariff that it does not consider such substitution to be a violation of its tariff, regardless of the original intent of the supplier. Making this change will clearly reduce costs to consumers in the CAISO footprint over time, without degrading reliability. This will be true regardless of whether or not the substitutions are “virtual” or are for supply that was always intended to be physically delivered.

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

MSCG believes this is the Option supported by the available evidence, and is the one we support, with the caveat that it needs to be accompanied by a tariff change explicitly endorsing real-time substitution for day-ahead schedules at the interties.

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

If, against MSCG’s recommendation, a change to the status quo is adopted, this is the least objectionable of the two specific Options described in the Issue Paper. It may be, however, that another Stakeholder will submit a better idea under Option 4. If this Option is adopted, it nonetheless needs to be accompanied by a tariff change explicitly endorsing real-time substitution for day-ahead schedules at the interties.

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

In MSCG’s view, this is the less desirable Option of the two explicit approaches to change described in the Issue Paper. If this Option is nonetheless adopted, it still needs to be accompanied by a tariff change explicitly endorsing real-time substitution for day-ahead schedules at the interties.

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)?

As described in our answer to Question 1, we do not believe a change is merited, and therefore have no recommendation to make any such change. If, however, another stakeholder makes a proposal under this Option that is ultimately adopted, it needs to be accompanied by a tariff change explicitly endorsing real-time substitution for day-ahead schedules at the interties.

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

MSCG supports the quick resolution of this issue, and has no concerns at this time about the proposed timeline. We recognize, however, that questions may arise as part of the Stakeholder process that would merit a delay.

7) Others?