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Comments of Northern California Power Agency
FERC Order No. 809 – Proposed Alignment of Gas & Electricity Market Timelines
April 22, 2015 Straw Proposal and May 15, 2015 Presentation

May 27, 2015

Northern California Power Agency (NCPA) appreciates the opportunity to provide the following comments in response to the CAISO's April 22, 2015 Straw Proposal and its subsequent stakeholder conference call on May 15, 2015 on FERC's April 16, 2015 Order 809.

NCPA strongly recommends that the ISO not change the day-ahead market timeline.

Currently, NCPA develops bids the day before the day-ahead market run and then refines those bids using the most current information available on the morning of the day-ahead market run. The opportunity to use such information would be effectively eliminated under "Option 1." This is true not *only* for natural gas price information, but also for information on hydro conditions, forecasts for wind and solar resources, and load conditions.

The reason that this refinement would be infeasible under "Option 1" is twofold: staffing constraints and availability of current information. While dispatch personnel who perform functions real-time are on-site around the clock, pre-scheduling staff that develop the bids that are submitted into the day-ahead market are on-site starting at 6:00 o'clock in the morning so that they have four hours to incorporate the most current information available into bids prior to the close of the market. To have that same amount of time would require them to arrive at 2 o'clock in the morning which, besides being unreasonable, is pointless because the necessary information to revise the bids is simply not available yet in the middle of the night.

As the CAISO notes in its Straw Proposal (page 14), the current timing of the day-ahead market provides for natural-gas price certainty when bidding into the day-ahead market. That gas price certainty is crucial in developing the bid curve for a natural-gas fired resource as that is by far the largest component of marginal cost for natural-gas fired resources. If "Option 1" were implemented, NCPA and other entities bidding natural-gas fired resources into the day-ahead market would have to develop those bids based on gas price data that are an additional day outdated. Thus, having to bid into the market by 6 o'clock in the morning without that information is a serious impediment in supplying cost-based bids.

In the East natural gas supply is constrained due to limitations of the gas transmission network, and this is simply not a problem we face here in the West. Because reserving gas transmission is not a pressing concern, NCPA is much less sensitive to the timing of the Timely Cycle or the Evening Nomination Cycle. In the vast majority of cases when our schedules are different than expected, it is most expedient in NCPA's experience to settle the difference between purchased and used natural gas at the imbalance price rather than buying or selling in the Timely Cycle or Evening Nomination Cycle. NCPA expects that this is true for CAISO market participants generally.

Finally, as noted above, such a dramatic shift in the market timeline will impact the ability to provide accurate forecasts for intermittent resources. Rather than being four hours older, since those forecasts are unlikely to be available in the wee hours of the morning, wind and solar forecasts from the day before will be used when bidding or scheduling into the day-ahead market. This means that, by the time we are in real-time operations, forecasts of intermittent generation are two to three days old.

In summary, NCPA strongly recommends that the CAISO maintain the current day-ahead market timeline so that market participants have the timeliest information possible to inform their bids and schedules – this will yield the most efficient market and operational outcome.