

Real-Time Imbalance Energy Offset (RTIEO) Final Proposal Comments

Submitted by	Company	Date Submitted
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SCE appreciates the opportunity to provide comments here and during the July 19th stakeholder meeting. SCE also appreciates and supports the California Independent System Operator's (CAISO's) commitment in solving this serious problem. The CAISO has conducted a long and thorough stakeholder process with three web conferences as well as a face-to-face meeting. During the meeting, stakeholders were even given the opportunity to make their own presentations to relay their opinions to market participants. With three CAISO Straw Proposals, all of which received active discussion and comments from stakeholders, this process has run its due course. SCE urges the CAISO to expedite its filing with the Federal Energy Regulatory Commission (FERC) in order to avoid millions of dollars of unwarranted costs.

SCE supports suspension of virtual bidding at the interties. While such a measure is unfortunate, we have found no other workable solution, and further, no other stakeholder has offered a workable alternative. At its core we have a structural market design issue, and thus a solution requires a structural change. In the near term, turning off bids at the interties addresses the issue¹.

Immediate action required at the FERC:

SCE urges the CAISO to file for immediate action to turn off virtual bids at the interties. The current uplift from the balanced virtual bid positions is on pace to create uplift of some \$80 MM/yr². This cost provides no economic benefit or market efficiency. We note that Measured Demand, primarily Load, must pay these costs, even if they have nothing to do with creating the cost. Thus, the current situation is neither just nor reasonable and requires remedy.

Moreover, arguments by some stakeholders that that somehow virtual bids produce a net-benefit to Load - even considering the \$80MM uplift - are both unjustified and irrelevant. Convergence bids are intended to *converge* prices. Arguments that instead Convergence bids systematically

¹ In its comments for the 2011 Market Design Catalog, SCE recommended that the CAISO apply efforts toward making long-term structural changes that will again enable virtual bids at the interties.

² Figure 2, Page 13 – <http://www.caiso.com/Documents/DraftFinalProposal-Real-TimeImbalanceEnergyOffset.pdf>

depress prices over a long-term horizon are, in effect, arguments that the current implementation is dysfunctional and contravenes its intended purpose.

Until Virtual Bids are Suspended, Position Limits on the interties must be frozen:

Intertie position limits are due to increase to 25% on October 1st and internal position limits will go up to 50%. While we strongly recommend the CAISO seek immediate suspension of virtual bids at the interties, under no case should the position limits on the ties be increased beyond the current 5% until the FERC rules on the matter. Increasing position limits has the potential to greatly increase the magnitude of RTIEO costs and this outcome must be prevented.