



## SDG&E's Comments FERC Order 764 Market Changes

Submitted by	Company	Date Submitted
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SDG&E appreciates the settlement examples included in the current iteration of the proposal, and believes the CAISO's written answers to stakeholders' initial round of questions as well as discussion at the recent Technical Workshop helped clarify a number of issues. That said, additional examples and discussion will be required as the proposal is refined over time.

SDG&E remains concerned that the magnitude of real-time congestion offset uplift is still largely unknown. Whether the CAISO proposal may be fixing one large problem while creating others cannot be known until the CAISO can quantify the magnitude of the uplift created. The Department of Market Monitoring (DMM) has many of the same concerns as SDG&E:

Exempting 15-minute tie schedules with HASP transmission reservations from the 15-minute ITC congestion price may cause significant real-time congestion offset uplift. Uplift will occur when:

1. The 15-minute import ITC shadow price exceeds the HASP import ITC shadow price; and
2. Imports with transmission reservations displace day-ahead physical or virtual imports (or net against 15-minute export schedules) that settle on the full 15-minute LMP."

... intertie virtual schedules could cause or exacerbate the uplift described above while providing little to no market efficiency benefits. ... virtual supply could be used strategically to cause the 15-minute ITC shadow price to exceed the HASP ITC shadow price and profit from this difference.

SDG&E is concerned the CAISO's proposed framework may offer a new opportunity for gaming, and like the DMM opposes intertie virtual bids under the proposed framework.

The DMM also identified another SDG&E concern, stating that "the proposed 2 real-time market structure creates several new incentives for internal generation resources to deviate from their 5-minute dispatch instructions. These deviation incentives are not related to inflating BCR or RIE."

The CAISO has indicated that "this discussion should more broadly consider the need to implement an uninstructed deviation penalty for all resources." SDG&E agrees that deviations from instructions must be discouraged and not encouraged in any CAISO proposal. Either the current proposal needs to be changed (features such as implementing a "worse-of" the 15-minute or 5-minute price for the interties that deviate from CAISO instructions) or a broader solution for all deviations needs to be implemented (that could also discourage un-tagged tie schedules that create benefits).

SDG&E looks forward to the CAISO providing estimates of expected annual uplift charges after refining their proposal to minimize gaming opportunities. This will allow a comparison of all the benefits of the proposal (there are many) with the expected costs.