

Stakeholder Comments

**FERC Order 764 Compliance
15-Minute Scheduling and Settlement**

Submitted by	Company	Date Submitted
Gary Lawson Gary.Lawson@smud.org (916) 732-5802	Sacramento Municipal Utility District (SMUD)	January 8, 2013, to Order764@caiso.com

This template contains SMUD’s follow-up comments on the CAISO’s FERC Order 764 Compliance – 15-Minute Scheduling and Settlement straw proposal, dated October 23, 2012, the CAISO’s Stakeholder Comments Matrix, and issues discussed during the stakeholder meeting on December 18, 2012.

1. Penalties

The CAISO has indicated it is considering implementing settlement penalties to incentivize following dispatch instructions. SMUD supports a penalty system that fosters a more efficient and equitable market. To this end, SMUD proposes the CAISO provide a grace period following the start of the 15-minute scheduling at the ties before penalties kick-in to allow participants to develop an adequate scheduling and settlement system to address a 15 minute market. This new 15 minute market will create a significant amount of additional work for participants and, as with any new system, adjustments and fine-tuning will surely be needed. We assume there will be opportunities to run tests and mock bid and dispatch scenarios before 15 minute scheduling takes effect in the Spring of 2014; however, there is no substitute for the real market. Accordingly, the CAISO and all participants would benefit from a grace period.

In addition, SMUD recommends the CAISO also implement a threshold limit for deviations before penalties are triggered. Instead of penalizing participants for *any* level of deviation, a pre-determined threshold could be established and if a participant passes this limit, penalties would be assessed. Moreover, participants should only be penalized if their deviations negatively affect the system. If a deviation actually benefits the system, a participant should not be penalized.

SMUD is open to discuss with the CAISO and other stakeholders an appropriate threshold limit.

2. E-Tags

SMUD appreciates the CAISO's acknowledgement that 2.5 minutes is tight for updating e-tags and that it will work with WECC to improve the timeline. Such a short time period for e-tagging could result in restricted activity at the ties.