

Vitol Inc.'s ("Vitol") Comments on FERC Order 764 Compliance – 15 Minute Scheduling and Settlement – Straw Proposal ("the Proposal")

Vitol appreciates this opportunity to comment on the CAISO's 764 stakeholder process addressing 15 minute scheduling. Vitol applauds the CAISO in its efforts to provide necessary changes in its market structure to facilitate FERC 764 and looks forward to continued efforts on such matters.

Vitol's comments below only address the intertie (import & export) transactions related to the CAISO and the WECC region, and reiterate past comments filed with the CAISO.

As an alternative to the "Proposal" Vitol would request the CAISO consider the following:

- The CAISO would continue with both its DAM and HASP markets with enhancements that allow scheduling coordinators, who can be flexible on a 15-minute basis, the ability to "flag" their schedules for 15-minute intertie re-dispatch.
- The CAISO should allow for virtual bidding at the interties
- The CAISO should allow for BCR of both imports and exports
 - It should be noted that market participants have been entering into contracts based on the existing market structure that currently allows for BCR for imports. Removing BCR adds an element of risk to transactions that need to be reasonably managed. If BCR is determined to unjustly and/or unreasonably drive costs to certain scheduling coordinators, then the CASIO should make every effort in phasing out BCR over time versus removing a risk management tool.
- We applaud the CAISO for removing the unnecessary "Transmission" procurement process originally contemplated.

BCR for Imports of Energy

- CAISO has stated that BCR does not impact the Real-time Imbalance Energy Offset Charge
- Vitol requests that the CAISO produce sufficient analysis to determine the potential BCR cost "savings" under the new CAISO proposal. Without this analysis we are unable to weigh the risks related to reliability concerns, decreased liquidity and/or an increase in potential out of market solutions.
 - At this point, the CAISO has not articulated any significant benefit(s) of removing BCR for imports of energy. The current proposal will remove BCR for imports without understanding the market consequences and/or if significant benefits exist.

Declined Energy Penalty

- Vitol believes that the CAISO should not apply the Declined Penalty to schedules scheduled in the day-ahead market.
 - It's unclear why imports or external generation would be treated differently in levying a penalty for non-performance, while internal generation would not be held to the same standard.
 - The CAISO should articulate why external generation should be treated differently than internal generation.
- We are of the opinion that the Declined Penalty is a legacy fine assessed in pre-MRTU and based on hourly requests for energy. We believe that the Penalty should be eliminated completely and not contemplated for day-ahead schedules.
- The CAISO has not produced a single significant benefit for applying this penalty to day-ahead schedules.
 - We request that the CAISO provide analysis as to any potential benefit(s).

One-time Intra-Hour Curtailment of physical schedules (including economic curtailments)

The CAISO has cited the following WECC standards, protocols, procedures and/or scheduling practices that would allow for economic intra-hour curtailments within WECC:

- INT-004-WECC-RBP-1, Tag Curtailments/Reload Responsibilities for Transmission Emergencies
- INT-005-WECC-RBP-1, Real-Time Interchange Schedule Manual Emergency Curtailment Procedures
- INT-010-WECC-RBP-1, Reliability Curtailments

Vitol has pointed out that the above curtailment procedures are intended for particular emergency situations and do not cover economic curtailments. Vitol requests clarification on this item.

WECC 764 Taskforce

The WECC taskforce continues in their "fact finding" process, and expected to make recommendations to WECC in March of 2013.

- The CAISO has the ability to provide a 15-minute option in scheduling physical power, in an effort to increase efficiencies throughout WECC. However, the CAISO's timeline is ignoring individual counter party's burden of evaluating system impacts, head count needs, and other vital components in facilitating a 15-minute market. BAs, TPs and others will be expected to provide a 15-minute option therefore, their systems will need to accommodate continued ramping of net interchange, the receipt of timely scheduled net interchange, an enormous number of tag adjustments, imbalance energy calculations, and many other aspects. Whereas there might not be significant changes within WECC's standards, protocols and/or procedures, the CAISO is ignoring the significant hurdles of implementation at the counter party level.

Vitol has a legitimate concern related to CAISO's understanding of tagging and curtailment options under the existing tagging rules, along with general concerns

surrounding WECC integration, the application of legacy fines and a lack of purpose for removing BCR for imports.

We believe that the CAISO should continue moving forward with a 15-minute market by providing market participants, that can be flexible, the option to be flexible. It's our opinion that nodal prices should dictate market participant behavior. We are also of the opinion that mandating a 15-minute market without cost assurances from the HASP, is a significant risk adjustment within the power markets. We prefer the CAISO allow 15-minute prices (nodal prices) determine the value for being flexible, versus the CAISO place incremental risks, related to BCR, to force flexibility.