

## Western Power Trading Comments on Intertie Pricing

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WPTF appreciates the opportunity to present these comments on the Intertie Pricing and Dispatch issue. WPTF offers the following points.

### More exploration is needed on WECC DA scheduling/tagging flexibility

WPTF encourages further exploration of the financial nature of the day-ahead (DA) market. The CAISO indicated that WECC requires that net physical schedules at the interties must be within established scheduling limits. However, WPTF is aware that other markets allow scheduling of physical schedules in the DA above the physical capacity of the line. In particular, ISO-NE treats the DA market as purely financial and does not enforce physical-only intertie constraints as part of the DA solution. Relaxation of this physical-only constraint (i.e., enforcing only the physical + virtual constraint) could resolve the intertie pricing issue and as a result it seems critical to explore in more detail this assumed WECC requirement. WPTF notes that in the event curtailment would be required to prevent infeasible physical schedules, this could occur immediately after the DA solution, and so ensure feasible schedules in the same timeframe as occurs today. At a minimum, it would be helpful to participants' understanding if the CAISO could provide citations and further explanation of the specific WECC requirements related to ensuring that DA market schedules do not exceed intertie limits and provide an opportunity for further discussion once this information has been provided.

### Option A (separate prices for virtual and physical bids) defeats the purpose of convergence bidding

The CAISO has articulated an approach, which the CAISO also indicates it prefers, that upholds the different constraints for physical and virtual schedules and settles with different prices. Settling with different prices defeats the purpose of convergence bidding at the interties in that it will no longer provide an effective hedge for physical intertie transactions. Similarly, since (as CAISO acknowledged on the stakeholder call), CRRs will settle on physical prices, virtual conversions of CRRs from DA to RT will in many cases be rendered ineffective. Finally, it is unclear how effective convergence bids at the interties will be at converging prices when they are settled at a price different than the physical transactions. For all of these reasons WPTF strongly opposes option A.

### Option B (adding a market run to conform schedules to bids) is a preferred interim approach while WECC schedule rule flexibility is pursued

The CAISO's proposed option B would maintain consistent prices for convergence and physical results and is therefore preferred to option A, although WPTF continues to prefer pursuit of a more robust solution by revisiting WECC scheduling requirements as discussed above.