

Western Power Trading Forum Comments on CAISO Intertie Pricing Proposal
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WPTF appreciates the opportunity to submit the following comments.

1. The CAISO should take additional time to arrive upon an outcome. The CAISO should defer this item, targeting the August board meeting as the next opportunity to bring a proposal before the board. WPTF firmly believes, as it seems from the 5/25 call that many other parties do, that implementing Option A would be worse than the status quo.
2. Option A Should not be Implemented: Option A creates a fundamental pricing outcome distortion between convergence positions and physical positions. It thereby defeats the fundamental purpose of convergence bids - that is, to converge physical bids between respective markets. As a result, Option A creates the possibility of new unintended consequences being created, consequences that cannot be foreseen at this point in time and that may have impacts more adverse than the current status quo condition. It is likely for these reasons that essentially all stakeholders opposed Option A. The CAISO should not proceed with implementation of Option A. At a minimum the CAISO should seek an official opinion from the MSC prior to further considering Option A.
3. Solution should meet certain objectives: Any solution the CAISO considers implementing should meet certain fundamental objectives: (1) ensure schedules are consistent with bid curves, (2) ensure consistent pricing outcomes between convergence bids and physical bids, (3) provide for proper WECC scheduling to ensure reliable schedules.
4. Concerns about Option B are limited and should be discussed further, including seeking an MSC opinion: WPTF does not believe that the concerns expressed by the DMM warrant elimination of Option B as a resolution to the intertie pricing issue. It seems that the DMM scenario would require a participant's full knowledge of:
 - a. which constraints would be binding in the DA and HA,
 - b. HASP schedules that would fully relieve the constraints, and
 - c. Other market participants' bids and schedules.

The scenario seems to further require assurance that a participant could profitably sell back physical power external to the CAISO.

In addition, the scenario relies upon circumstances that are not sustainable, as the circumstances (e.g., a \$20 price difference between DA and HASP) would themselves incent

scheduling that would reverse the circumstance. Lastly, the DMM scenario seems to rely on the use of CRRs in a manner that would already trigger the CAISO CRR clawback rule, thereby undermining that use of CRRs.

Certainly the robustness of the DMM-proposed circumstances should be fully vetted before a good design is “thrown out with the bath water”. WPTF also formally requests that the MSC be invited to opine on the severity of this DMM concern (should the CAISO wish to further rely upon this concern as a reason to not implement Option B), the relative merits of the proposed remedy versus the existing conditions, and other options that are proposed by market participants.

5. The CAISO should more fully consider Option B and other options. In addition to reconsidering Option B as we have recommended above, the CAISO could consider other options that meet the objectives articulated in 3, above. WPTF requests that the CAISO consider the possibility of removing the physical constraint from the IFM run, yet conforming the physical schedules to the WECC scheduling limits within the RUC run. In this manner the final DA schedules would meet all the objectives identified above in #3, while avoiding the opportunities the DMM identified. The CAISO should also more fully consider any other options that fulfill the primary objectives.

In fact, WPTF finds no reason to believe that such approaches would be inconsistent with the WECC requirement that a “net schedule on any control area to control area interconnection or transfer path within a control area shall not exceed the total transfer capability of the transmission facilities.” Rather schedules could be made consistent well in advance of the tagging and checkout deadlines. WPTF has cited in past comments the fact that the ISO-NE -- which also uses a market-based (as opposed to reservation-based) system to determine physical schedules -- applies a similar approach, apparently in conformance with its NERC requirements. WPTF believes that if the CAISO considers the intent of the WECC requirement that other alternatives may be deemed acceptable.