

Western Power Trading Forum comments on Commitment Cost Enhancements

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WPTF appreciates the opportunity to submit these comments on the CAISO's June 10, 2014 Commitment Cost Enhancement Revised Straw Proposal to improve the CAISO's commitment cost determinations. WPTF offers comments in the following areas.

- **We appreciate the CAISO's revision to implement the manual process at the 125% of prior day's cost level.**

The 125% roughly comports with proposed proxy price cap and thereby roughly ensures that there is not a large gap in compensation before manual processes will all use a single index at the ISO.

- **The CAISO should provide a means for intra-day gas cost recovery.**

WPTF provided extensive comments on this aspect in its May comments, including providing some intra-day gas data demonstrating the volatility of intra-day gas prices relative to forward prices. The CAISO's June 10, 2014 revised straw proposal asks for more data. It is not feasible for WPTF to provide actual data at the level requested by the CAISO. Collecting all the intra-day charges is an onerous task, and WPTF not being a market participant has no direct access itself to this data.

WPTF asks that the CAISO recognize that it is quite possible that intra-day commitments and de-commitments will impose costs on the market participants beyond what the CAISO proposes to compensate for based on forward gas indices. Even without exact data it is undeniable that suppliers are at risk for intra-day charges beyond what would be covered by the CAISO's straw proposal design. Leaving suppliers exposed for such charges can result in increased costs for all market participants in the form of risk premiums the supplier would have to add to other price structures such as bilateral contracts.

The ISO should more firmly commit to addressing this in their bidding practices stakeholder forum, selecting to either provide an automated way for such costs to be addressed in bids and/or payments or providing a mechanism for after-the-fact cost compensation.

- **The 125% proxy cost proposal is a significant improvement to provide a means for DA gas cost recovery.**

As we indicated in our prior comments, an increase of the proxy cap to 125% seems to afford a much improved opportunity for participants to recover commitment and minimum load costs

from DA IFM commitments. However, in light of the fact that the CAISO's proposal does not address the costs of procuring gas in the intra-day markets, WPTF believes further dialog as to whether the proposed 125% cap is adequate is needed. To recognize that there is a gap regarding intra-day gas but do nothing to fill the gap – even in the interim – is not reasonable nor is it efficient for the market. Similarly, given that the CAISO intends to eliminate the Registered Cost option it should consider a Proxy Bid cap of 150%.

We thank you for consideration of these comments.