

Barclays Capital appreciates the opportunity to provide comments on the CAISO's December 7, 2009 "Straw Proposal: E-tag Timing Requirements Initiative"

Comments On E-Tag Timing Requirements:

Barclays Capital supports the CAISO's recommended "no change to the current e-tag timing requirements of 20 minutes before the start of the operating hours or T-20." As noted in our previous joint comments with RBS/Sempra, neither the CAISO nor any other Market Participant has presented one instance where the lack of a day-ahead tagging requirement has resulted in an operational or reliability problem. The current scheduling timelines seem to be working within the WECC, of which the CAISO is a member, and it is unclear to Barclays why there is a change needed as the result of the implementation of a day-ahead market in the CAISO.

Barclays also supports the CAISO's proposal to stiffen the penalties for non-performance to the extent the CAISO has determined it is needed to solve a real problem. Schedules in the day-ahead market represent physical obligations to deliver, and if Market Participants are not meeting their physical obligations, they should be subject to penalties specified in Section 11.31 of the CAISO tariff. If the penalties are not strong enough to discourage unwanted behavior, they should be made tougher. However, changes to Tariff Rules should only be made they are required to solve a real problem and the CAISO should demonstrate that this is indeed the case here.

Furthermore, as Barclays noted in its joint comments with RBS/Sempra, the CAISO has an infrastructure in place to monitor Market Participant behavior, and if it believes an entity is participating in a way that is violating any CAISO tariff, including the Expected Conduct provisions (CAISO Tariff Section 37.3.1.1.), it can take action as appropriate.

Changing the current timing will reduce bidding competition in the day-ahead market at the Interties, and will have little impact on improving reliability the vast majority of the year. For example, entities that own systems of resources may be net importers of energy into their system at the same time they have an e-tag to deliver power to the CAISO on a day-ahead basis or prior to the HASP. These entities may in fact be relying on acquiring resources elsewhere in the WECC sometime prior to the T-20. So, producing an e-tag in the day-ahead timeframe, or prior to the HASP, can provide a false indication of "reliability" of that schedule. If the entity cannot acquire the resource, it will simply change its e-tag or not deliver at all.

Response To DMM Suggestion:

DMM suggests that having "an e-tag submission deadline of 20 minutes prior to the HASP market would accommodate market participants procuring transmission that becomes available in the evening of the prior day." Implementing this suggestion will

still not prove that entities have resources dedicated to meeting their real-time CAISO obligations for the same reasons described above.

Also, the DMM suggestion may also lead to the unintended consequence of reducing the CAISO's flexibility in the HASP because it could also reduce the amount of transmission that will be available for incremental schedules arising from the HASP. This possible reduction of transmission capacity available for incremental HASP schedules is caused by the fact that transmission providers will not resell non-firm transmission that has been purchased prior to the HASP, and then is subsequently not needed. As an example, if an entity purchased non-firm transmission and submitted an e-tag prior to the HASP, and then subsequently had its position reduced in the HASP, that entity would then not need its non-firm transmission and presumably another incremental schedule arising from the HASP could use it. However, once the non-firm transmission is bought by the first entity, if it is not used, the transmission provider will not then make it available for purchase by another entity. In other words, non-firm transmission can be bought once. It cannot be bought and released, and bought again, etc.

Finally, the new pre-HASP scheduling requirement could potentially significantly increase the work of neighboring balancing authorities and transmission providers who will have to approve the e-tagging adjustments.

In Closing:

Barclays supports the CAISO's proposal to strengthen the non-performance penalties to the extent they are needed to address a real problem. However, to the extent that the CAISO believes a change to the E-tagging timeline is necessary, it should propose a change that minimizes the resulting reduction in bidding competition at the Interties by limiting the new requirement to only those few hours of the year when reserve margins are tight. The overwhelming majority of the year there is significant excess generation and transmission capacity throughout the WECC. However, perhaps during certain time periods, such as when the CAISO calls a "no touch day" (or Stage 1, Stage 2, etc), entities could be required to minimize changes to their day-ahead schedule, or to provide an e-tag prior earlier than T-20.