

**Comments to Real-Time Imbalance Offset – Second Revised Straw Proposal**

Submitted by	Company	Date
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Brookfield Energy Marketing LP (“Brookfield”) appreciates the opportunity to submit comments to the second *Revised Straw Proposal* that addresses both the Real-Time Imbalance Offset and the intertie pricing issue. As further explained in our comments below, Brookfield does not support the CAISO’s proposal to terminate virtual bidding on the intertie points. In the short term, we believe more discussion is needed to further vet ideas offered by market participants in the last two sets of comments, better understand the ISO’s reasons for rejecting those ideas and determine what viable options remain that we can consider in lieu of terminating virtual bidding on the interties completely. To echo what we said on the June 17 stakeholder call, along with a number of other market participants, eliminating virtual bids on the interties would be our last choice of solutions to address these problems. In addition, we request that the CAISO begin a working group process immediately to begin addressing the longer term market design changes needed to eliminate the HASP-Real-Time price disconnect.

Eliminating virtual bidding on the interties is not the right answer and is unnecessary to resolve the problems at hand. The CAISO has been aware for over two-years of the drivers behind the Real-Time Imbalance Offset. Eliminating virtual bids on the interties does nothing to solve the problem and it is well understood that larger market design changes are needed to address the root causes. The intertie pricing issue has resulted in a \$250,000 per month impact to affected market participants. Most market participants would agree this impact does not warrant shutting down virtual bidding on the interties and there are other viable alternatives that can be addressed through the stakeholder process. If none of the options are determined to be workable it makes sense, considering the small dollar impact of the problem, for the CAISO to continue with the existing market design.

A number of seemingly viable options were proposed for both the Real-Time Imbalance Offset and the intertie pricing issue that were not discussed in sufficient detail as to why they were rejected by the CAISO. Some of those options are: 1) Liquidating internal virtual bids in the real-time process rather than HASP 2) Settling intertie virtual bids at Real-Time price rather than the HASP price 3) Removing the physical constraint from the IFM run, yet conforming the physical schedules to the WECC scheduling limits within the RUC run; and 3) Concerns about Option B as described in the May 18 Draft Final Proposal on the intertie pricing issue. All of these options and the concerns raised warrant further discussion. We request the CAISO to utilize the July 19<sup>th</sup> stakeholder meeting to vet these options further and determine whether any of these proposals or possibly some variation can adequately address the issues prior to developing a final proposal. It will be easier for market participants to make a recommendation after better understanding the pros and cons of the proposed solutions from the CAISO’s perspective.

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<sup>1</sup> Announced at Market Performance & Planning Meeting



Lastly, all of the options that have been considered so far to resolve these problems are interim solutions. It would be beneficial for the CAISO and market participants to begin working on the new market designs needed to eliminate the HASP-Real-Time price disconnect immediately in tandem to working through short-term options. The CAISO has committed to address these issues in the *Renewable Integration Market & Product Review Phase 2 Stakeholder Process*. Considering the broad scope of issues to be addressed in this stakeholder process the CAISO should form a smaller working group to begin addressing the potential design for a full Hour-Ahead market or some other modifications to the Real-Time market that will eliminate the need for the Real-Time Imbalance Offset. That working group can then report back to the larger stakeholder process.

In conclusion, eliminating intertie virtual transactions is unwarranted and does not address the known market deficiencies. Many of the options proposed require further discussion as viable short term solutions to the problems. Allowing more time for discussion between market participants and the CAISO, will most likely culminate with some agreement on what is the best way to solve these issues eliminating the need to take such extreme measures.