Submitted by	Date
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Gila River Power continues to appreciate the opportunity to make comments regarding the real-time imbalance energy offset. Gila opposes the discontinuation of convergence bidding at the interties. In 2009 when the RT imbalance offset was first seen as a problem, Gila suggested that all participants should be able to buy and sell in HASP (or a full hour-ahead market as it would be termed). The CISO dismissed this suggestion and instead undertook its own initiatives in an attempt to cause the HASP and RT prices to converge outside of market mechanisms. The CISO recently implemented convergence bidding. Since then, the CISO has observed that market participants are largely putting on opposite positions at the interties vs internal nodes so as to arbitrage the difference between RTD and HASP. CISO has asserted that this activity has no benefit since HASP is not a full market and it clears both sides of these positions simultaneously. However the CISO hasn't analyzed the effects of having more internal units committed day-ahead as a result of these activities. In other words having virtual supply at the ties and virtual demand internally would cause there to be more internal units committed than there would be otherwise. These units would then be able to provide more flexibility in RT that might not otherwise be there and with greater flexibility comes fewer price spikes. As such, the effect of these offsetting trades can not be dismissed so quickly as having no benefit towards converging the RT and HASP.

Gila supports the decision to keep the HASP intact and to dismiss the 'pay as bid' or 'bid or better'. Gila appreciates the rationale behind charging negative deviations the RT price for HASP awards but we question the current impact it causes to the market. Does the CISO have dollar amounts that this is likely to have caused? We would support the reversal of an undelivered HASP position in RT only if it was applied regardless of the relative difference between the HASP and RT price and that the HASP decline charge be eliminated. We believe it would be unduly punitive to ask HASP importers to wear the risk that if their import is cut that they must potentially pay the triple digit prices without symmetrically giving them the benefit when the RT price is lower than HASP. If this change is made we would also want to see San Diego's suggestion be implemented where importers and exporters have the option to take the RT price instead of the HASP price. This election should obviously be made before the HASP price is known. The CISO should also recall that there are still occasional instances where participants are committed in the scheduling run of HASP but then are made uneconomic in the pricing run.

Gila is strongly opposed to the new allocation methodology of the RT imbalance offset. The CISO established that the quantity of reduced imports is very small and as such would have only a trivial impact on load's share of the cost. However, it would only further depress HASP prices as participants would be forced to deduct the expected charge from their bid. It would make buying back uneconomic at times when the RT price spikes. The CISO doesn't charge, nor has it proposed charging, any internal generation a share of the charges when they dec their DA schedule and as such it would be discriminatory for the CISO to start charging participants at the ties. The stated purpose for the CISO to make this change is the fear of implicit virtual bidding. However the CISO has already created a settlement rule that claws back any potential profits from implicitly virtual bidding. If a participant has a valid tag in day-ahead then that should be sufficient to show that the participant isn't putting on implicit virtual bids. If the CISO has reason to believe that this isn't the case then those issues should be addressed on a case by case basis rather than making the market less efficient. At the very least if this change is made the CISO should adopt tiers for the offset where a participant is never charged so much as to make them uneconomic. For example, if a participant bids to dec their import at $30 and if the HASP clears at $25 then their maximum RT offset charge should be $5/MWh regardless of what they would have been charged without the cap.

As already stated above we are opposed to the termination of convergence bidding at the ties. We believe that the price inconsistency issue caused because of convergence bids for physical activity should not be ignored. We don't have strong feelings favoring either of the proposed methods of addressing the solution. Either would work and their shortcomings would be better than the potential for exports to be bound to uneconomic positions. We have asked the CISO to analyze the possibility of bringing the MCC over from the scheduling run into the pricing run whenever they differ because of virtual bids. This should resolve all the issues although we're not sure of the pitfalls of doing this.