PG&E Comments

E-Tag Timing Requirement

Submitted by	Company	Date Submitted
Ian Quirk (415) 973-9798 Derick Stowe (415) 973-5662	PG&E	December 21, 2009

Pacific Gas & Electric (PG&E) appreciates the opportunity to participate in the stakeholder process for CAISO's E-Tag Timing Requirement Initiative and to submit comments regarding the December 7, 2009 Straw Proposal and the December 14, 2009 CAISO Presentation.

PG&E is supportive of aligning the market economics to deter virtual implicit bidding and to help ensure that that a physical schedule is truly a physical schedule. We have provided comments on the CAISO's proposed changes to the HASP Intertie Schedule Decline Charge and the application of the CRR Settlement Rule.

That notwithstanding, PG&E believes that the CAISO has abandoned the notion of an earlier e-tag deadline for day-ahead schedules without sufficient analysis. It seems to us that the possibility of a timing change was discarded on concerns that may not be substantiated and ask the CAISO to take another look at this approach. This does not mean that the CAISO should discard its proposals regarding the market economics. Instead, PG&E may be supportive of e-tagging deadline change along with the other economic changes proposed by the CAISO.

Changing of E-Tag Timing of Day-Ahead Schedules

CAISO Should Continue to Pursue a Change to the E-tag Timing: The CAISO has not provided a convincing case to maintain the status quo e-tag deadline for day-ahead schedules. Without evidence to show that a change would be harmful, the CAISO should consider instituting a HASP-20 minute deadline for day-ahead schedules.

The CAISO proposes no change to the current e-tag timing requirement of 20 minutes before the start of the operating hour or TH-20. The CAISO cites two reasons for the abandonment of this approach:

> An earlier requirement may reduce day-ahead market liquidity by reducing the time market participants have to secure energy and transmission to meet their day-ahead awards. Additionally, an earlier e-tag timing requirement may conflict with the timing of when transmission routinely becomes available in other balancing authority areas.[1]

[1] Straw Proposal - E-tag Timing Requirements Initiative, December 7, 2009, p. 5.

Although these may be concerns, the CAISO has failed to present evidence that these concerns are valid. Regarding the first concern, inadequate time to e-tag, the DMM has prepared an analysis that seems to refute that concern. In its analysis the DMM shows that on average 91 percent of net imports that are scheduled in the IFM are tagged in the day-ahead timeframe, with a range of 81 to 97 percent in individual hours.[2] The ability of participants to e-tag 91 percent of the net imports in the day-ahead seems to support the idea that schedulers should have adequate time to meet a less ambitious submission deadline such as 20 minutes prior to the HASP market. This conclusion is supported by PG&E's own experience in tagging day-ahead schedules

Regarding the second concern that an earlier e-tag requirement might conflict with the timing when transmission routinely become available, the CAISO has shown no evidence that this concern is valid. In the conference call, some market participants indicated that most transmission capacity is released by HASP-20. Given these comments, PG&E requested the CAISO to check with adjacent balancing areas to see when transmission capacity is released and report back to stakeholders.

In summary, PG&E agrees with the DMM's observations:

> DMM recognizes that the CAISO must exercise judgment in considering potential trade-offs between the any market impacts of changes in market liquidity and any reliability impacts from modifying current e-tag submission deadlines. However, we note that it seems there could be other etag submission deadlines, besides the current day-ahead deadline, that would be prior to the HASP (and therefore provide increased reliability benefits), but would still accommodate the timing of transmission availability in other control areas. For example, 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.[3]

PG&E recommends that the CAISO do the additional investigation to determine if the two concerns expressed in the Straw Proposal are actual barriers. If the CAISO cannot provide evidence that substantiates the two concerns or identify other implementation problems, the CAISO should consider instituting a HASP-20 minute deadline for day-ahead schedules.

Hasp Intertie Schedules Decline Charge

Section 11.31 HASP Intertie Schedules Decline Charges apply to any energy import or export when the schedule is not delivered for any reason. The current charge is the MWh quantity of the import or export not delivered multiplied by the greater of $10/MWh or fifty percent (50%) of the HASP intertie LMP. The current threshold for incurring the decline charge is the greater of 300 MW or 10% of the participant’s schedule during the

[2] DMM Comments on Straw Proposal for E-Tag Timing Initiative, Dec. 10, 2009, p.1.
[3] DMM Comments on Straw Proposal for E-Tag Timing Initiative, Dec. 10, 2009, p.1.

trading month. The CAISO seeks stakeholder comment on whether to eliminate or reduce the exemption threshold and increase the decline charge floor price and the percentage of the HASP intertie LMP.

Eliminate Decline Threshold But Institute Exemptions: PG&E recommends the elimination of the threshold to better encourage intertie schedule performance. PG&E recommends that the CAISO eliminate the threshold completely **<u>and</u>** exempt non-delivery due to certain pre-defined exceptions that allow for unexpected events such as a reduction in intertie capacity availability after the hour-ahead market closes. The allowance for certain exceptions would provide flexibility to accommodate unexpected events such as transmission derates and other unavoidable situations. We expect the occurrence of these events to be rare, but the exemptions would provide protection against unfair penalties.

No Recommendation for Change in Decline Charge: PG&E is supportive of an appropriate decline charge that incentivizes good intertie schedule performance. However, PG&E does not offer at this time a recommendation regarding an increase in the decline charge from the status quo. This does not mean we would not support an increase if the CAISO or stakeholders make a recommendation supported by good reasoning or data.

The CAISO Needs to Clarify if the Charge Applies to Day-Ahead Schedules: The CAISO proposes that the decline charge would apply to both day-ahead scheduled quantities and incremental/decremental HASP quantities. However, the DMM notes the following:

> The issue paper implies that the HASP Intertie Schedules Declines Charges described in section 11.31 of the CAISO tariff is applicable to all import schedules, including those originally scheduled in the IFM. DMM agrees that it is probably appropriate to extend the declines charge to undelivered imports that were originally scheduled in the IFM. However, DMM notes, for clarification, that the current HASP Intertie Schedules Declines Charges is only applied to the amount of an import that is dispatched in HASP that is an *increase* to an IFM import schedule.[4]

PG&E asks the CAISO to clarify the issue raised by the DMM.

<u>CRR Settlement Rule Applied to HASP Reversals</u>

Suggest 50% HASP Reversal Threshold for applying the CRR Settlement Rule: PG&E supports the idea of applying the CRR settlement rules to reversed HASP bids, but feels the 100% threshold is too high. It is difficult to say exactly what percentage of a bid reversal would necessarily constitute implicit virtual bidding, but it is our feeling that if more than half of a schedule is reversed, the schedule may be functioning more as an implicit virtual bid than a physical delivery. PG&E recommends if more than 50% of the

[4] DMM Comments on Straw Proposal for E-Tag Timing Initiative, Dec. 10, 2009, p.2.

day-ahead schedule is reversed in HASP, then the entire Day-ahead schedule should be subject to the CRR settlement rule.