



SDG&E’s Comments FERC Order 764 Market Changes

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SDG&E appreciates the opportunity to comment on the CAISO’s FERC Order 764 Compliance 15-Minute Scheduling and Settlement – Straw Proposal of October 23, 2012 (764 Proposal). The 764 Proposal does not contain enough detail at this very early stage of development to allow precise analysis but general comments are possible on some of the major provisions. Overall SDG&E thinks the 764 Proposal is a significant step forward in addressing several major problems with the CAISO’s current markets. SDG&E expects to be able to support most of the key features of the 764 Proposal when they are fully developed. These include: 1) a financially binding 15-minute market for energy and ancillary services, 2) eliminating the financially binding hourly market (HASP), 3) moving the inter-ties to the same 15-minute energy market as internal resources, 4) eliminating PIRP and 5) returning convergence bidding on the inter-ties. SDG&E also believes some of the perhaps lesser changes like allowing variable energy resources to change schedules much closer to the financially binding interval and changing settlement granularity from ten minutes to five minutes should improve market functionality.

SDG&E’s concerns focus mainly on the proposed hourly transmission awards and the allocation of any cost differences between the hourly and 15 minute shadow prices. The allocation of uplift costs due to differences in congestion between the transmission reservation process and real-time should follow cost causation principles as much as possible. The example time lines in the 764 Proposal look workable from SDG&E’s perspective. However, SDG&E strongly recommends CAISO present an expanded number of detailed examples in this proposal’s next iteration to illustrate how all the new features of the 764 Proposal will work, with particular emphasis on interactions between new and existing market components and their timings. The complications of the hourly transmission awards may be a necessary evil until WECC moves to 15 minute transmission tagging, but the CAISO should have the goal of helping the Western interconnection move as quickly as possible to 15 minute transmission tagging.

SDG&E will be providing comments on the Flexible Ramping Product initiative by the extended deadline of December 3, 2012.