<u>CAISO Stakeholder Comments Template</u>

Redesign of the Real-Time Imbalance Energy Offset

Submitted by	Company	Date Submitted
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SDG&E appreciates the opportunity to comment on the Redesign of the Real-Time Imbalance Energy Offset straw proposal. The Real-Time Imbalance Energy Offset, a defined term in the CAISO Tariff, is a neutrality account through which the CAISO allocates surpluses or deficits through payments or charges on a pro rata basis to metered load and exports. The Offset has consistently resulted in a charge to metered load and exports since January 2010. During this time period the hour ahead scheduling process (HASP) price has been consistently lower than the real-time dispatch (RTD) price, which contributes to the Offset. With the implementation of convergence bidding in February 2011, and a continuation of lower HASP prices as compared to RTD prices, the offset has grown in magnitude and has further increased the monthly charges to metered load and exports and has averaged $11.7 million per month since January 2010 (see Figure 1 on page 5 of CAISO's straw proposal dated May 18, 2011).

SDG&E agrees with SCE's analysis of the issues as described in their May 11, 2011 comments to CAISO (http://www.caiso.com/2b7c/2b7c802238230.pdf).

SDG&E strongly supports several components of SCE's proposal for short-term and intermediate-term fixes as described below:

Short term:
- Freeze the current (5%) convergence bid position limits at the interties. A complete suspension of intertie convergence bids would be a new variable that undermines the assessment of future fixes.

Intermediate:
- Settle convergence bids at interties against the real-time price instead of the HASP price. This fix obviously eliminates the uplift issue created by convergence bids at interties.
- Assess real-time uninstructed energy charges to imports that do not meet their HASP obligation. Further to SCE's proposal, institute a monitoring process to ensure that suppliers do not freely game price differentials between HASP and real-time without regard to their delivery obligations.

SDG&E also strongly urges the CAISO to implement a self-scheduling option at interties where physical imports (and exports) cleared in HASP are paid the real-time price. This would provide a long-needed mechanism for load-serving entities to offset their residual load exposure with intertie transactions – currently, intertie transactions are paid the HASP price while residual load is paid (or pays) the real-time price. In addition, intertie self-schedules would further reduce uplift charges associated with price differences between HASP and real-time. Finally, the ability to settle physical imports at real-time prices would enable market participants to use convergence bids (settling against real-time prices as described above) to manage their price exposure.