

Stakeholder Comments

**FERC Order 764 Compliance
15-Minute Scheduling and Settlement**

Submitted by	Company	Date Submitted
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This template contains SMUD’s comments on the CAISO’s FERC Order 764 Compliance – 15-Minute Scheduling and Settlement straw proposal, dated February 5, 2013 and issues discussed during the stakeholder meeting on February 12, 2013.

1. Unifying Ties

SMUD supports the CAISO’s efforts to unify the ties with its internal load resources. Adoption of 15-minute scheduling across the ties should significantly reduce forecast deviations and ultimately reduce uplifts.

2. Hourly Schedules at the Ties

SMUD believes that the CAISO could see reduced economic hourly block transactions at the ties due to the elimination of price certainty. WECC’s Task Force recommendation on the proposed changes required in Order 764 was the augmentation of the hourly scheduling processes with 15-minute schedule changes while keeping the hourly service term as is today. Because the CAISO is proposing to eliminate the price certainty of the hourly market at its ties, and implement a “price taker” feature for Economic Bid Hourly Block schedules, this option will limit the liquidity of the market as some market participants may choose for a variety of physical and/or economic reasons not to respond to 15-minute price signals.

3. Dual Constraint

SMUD recognizes the complexity of solving the dual constraint issue, which in the past was the cause of physical export resources clearing at prices inconsistent with their submitted bid. SMUD agrees this issue needs to be resolved prior to the reinstatement of convergence bidding on the interties. However SMUD does not support the CAISO’s proposal to reject tags for awarded day ahead physical bids in

certain circumstances driven by convergence bids. Although the CAISO expects circumstances in which tags would not be accepted for day-ahead physical intertie awards to occur infrequently, permitting this at all does not send the appropriate market signal. As the CAISO points out in the revised straw proposal this situation will occur under the same circumstances as the price inconsistency occurred under the previous design, which while infrequent, led to reduced confidence and transparency in the CAISO market. The current option proposed by the CAISO essentially forces physical bidders with no intention to participate in the virtual market to become convergence bidders by being required to purchase back their bid in real time. This will likely discourage participation and limit supply.