

**Vitol Inc.’s (“Vitol”) Comments on FERC Order 764 Compliance – 15 Minute Scheduling and Settlement – Straw Proposal (“the Proposal”)**

Vitol appreciates this opportunity to comment on the CAISO’s 764 stakeholder process addressing 15 minute scheduling. Vitol applauds the CAISO in its efforts to provide necessary changes in its market structure to facilitate FERC 764 and looks forward to continued efforts on such matters.

Vitol’s comments below only address the intertie (import & export) transactions related to the CAISO and the WECC region.

As an alternative to the Straw Proposal, as stated in our original comments, Vitol would request the CAISO consider the following:

- The CAISO would continue with both its DAM and HASP markets with enhancements that allow scheduling coordinators, who can be flexible on a 15 minute basis, the ability to “flag” their schedules for 15 minute intertie re-dispatch.
    - The CAISO should remove the “transmission” procurement process, therefore removing the “uneconomical” scenarios related to mixing market settlements.
      - Vitol continues to disagree with the “transmission” procurement process and the split settlement of congestion, within one market run, and energy and losses, within a separate market run, for a final import/export settlement calculation. It is clear from the examples and discussions that mixing settlements can and will lead to uneconomic dispatch of imports and exports at the interties.
    - The CAISO should allow for virtual bidding at the interties
    - The CAISO should allow for \*BCR of both imports and exports until
      - WECC has a fully functional 15 minute market that is liquid in participation
- \*It should be noted that market participants have been entering into contracts based on the existing market structure that currently allows for BCR. Removing BCR adds an element of risk to transactions that need to be reasonably managed. The CASIO should make every effort in phasing out BCR over time versus removing a risk management tool that has been established prior to MRTU’s existence.

Vitol would request the CAISO consider taking a phased in approach into the implementation of a new market structure in an effort to limit impacts on liquidity, operational uncertainty, unnecessary out of market solutions, and WECC wide disruptions in wholesale power trading.

### Phase 1

- Continue with the HASP block hour-ahead schedules – no changes
  - At a minimum - Allow for continued BCR for 18 full months after implementation of 15 minute scheduling within CAISO
  - Prior to the removal of BCR the CAISO should analyze both CAISO's and WECC's participation in the 15 minute market to determine:
    - CAISO needed enhancements
    - Depth of liquidity (participation) in an effort to understand any hurdles and/or successes
    - Reliability consequences
    - Impacts of increased self-schedules
    - Cost shifting
- \*The CASISO should make every effort to determine if 15 minute scheduling, within the region, is widely accepted and will allow for the successful management of interchange and reliability within CAISO AND WECC
- Allow market participants to “flag” their specific intertie transactions based on their willingness to be dispatched on a 15 minute basis
- Reinstate virtual bidding at the interties

### Phase 2

- Continue with the HASP block hour-ahead schedules – removing BCR – Settlement based on the 15 minute intervals

With WECC still within their “fact finding” taskforce process, and not expected to make recommendations until March of 2013, it would be inappropriate for the CAISO to implement new market structure changes that would limit WECC wide liquidity in trading. The CAISO should be sensitive to the WECC timeline and the need for potential WECC stakeholder processes.

Vitol believes that a 15 minute traded market is on the horizon however, it will only reach success when WECC and the CAISO are seamless on all operational logistics, a coordinated implementation timeline is established, and BAs, IPPs and marketers provide the necessary liquidity.