

Western Power Trading Comments on Order 764 – Implementation of 15-minute Scheduling

Ellen Wolfe, Resero Consulting for WPTF, 916 791-4533, ewolfe@resero.com

WPTF appreciates the opportunity to submit comments on the ISO's proposed 15-minute scheduling proposal. These comments are incremental to WPTF provided on November 16, 2012 in response to the straw proposal. We herein respond to elements of the proposal discussed during the December 18, 2012 web conference.

WPTF offers comments in three areas.

The proposed transmission reservation aspect of the proposal may be more harmful than beneficial.

Whereas the proposed transmission reservation process offers some conceptual benefits for certain parties under certain circumstances, the burden of the complexity of the reservation and its possible adverse impacts on the efficiency of the balance of the market mechanisms may render it more harmful than beneficial. Should the ISO wish to retain this proposal element, WPTF requests that the ISO begin to characterize the advantages and disadvantages of the reservation mechanism and to again seek stakeholder feedback about the relative benefits. WPTF is particularly concerned that the complexity of the mechanism will create additional uplifts and that the ability of this mechanism to support convergence bidding is in question.

The price-taker design shifts significant risks to importers and exporters. The CAISO's proposal to have HASP bidders take the risk should the real-time prices settle off of their offers accepted in HASP is a significant shift in philosophy from pre-existing market structures that make importers and exporters at the interties whole when the ISO markets create an award in the hour-ahead that is inconsistent with its real-time market outcomes. Such a design change will cause either a reduction in liquidity at the ties or will cause bidders to internalize the perceived risks into their offers (an approach that may likely be less efficient than bid cost recovery). Whereas WPTF sees the benefits of settling the ties and the internal generators consistently, offering no guarantee to those that offer at the interties that they will not be settled off of their bid curves creates a new risk unique to intertie transactions. WPTF opposes this aspect of the ISO proposal that requires such parties to bear all of the risks of the price inconsistencies between HASP and RT.

Concerns about convergence bidding at the ties have not been resolved. One driver for the development of a new market design is to create consistent markets that allow for convergence bidding at all pricing points and not just the internal price points. Yet several concerns have been raised about the efficacy of convergence bidding with the proposed ISO intertie pricing design. The ISO should address these issues head on, and if convergence bidding at the ties will not be successful under the current ISO proposal then the proposed market design is insufficient. WPTF strongly encourages the ISO to address DMM's concerns about intertie convergence bidding as well as concerns of others to determine if the ISO's proposed design is robust enough to support reinstatement of full convergence bidding functionality.

Coordination with WECC wide efforts to address Order 764 remain imperative. WPTF appreciates that the presentation provided for the 12-18-12 web conference noted the importance of ensuring that its implementation of Order 764 must be coordinated with the tagging timelines used throughout WECC. WPTF also notes that the impact of Order 764 on dynamic scheduling protocols must also be fully evaluated and resolved as well.

We appreciate your consideration of these comments.