

Western Power Trading Forum Comments on Bidding Rules Straw Proposal

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WPTF appreciates the opportunity to submit comments on the CAISO's April 22, 2015 Bidding Rules Straw proposal and the discussion that took place at the April 29, 2015 meeting. WPTF submitted comments on the CAISO's proposed FERC Order 809 Gas-Electric coordination on May 10, 2015.

WPTF continues to encourage the CAISO to develop a proposal for biddable start up and minimum load cost specification. We look forward to the results of the CAISO's investigation of practices related to start up and minimum load costs in other RTOs. The comments provided herein reflect our feedback on the narrow issues included in the CAISO's proposal of April 22nd recognizing the possibility that biddable start up and minimum load costs will be revisited after the CAISO completes its RTO survey. We offering comments in the following areas.

Rebidding: WPTF appreciates the CAISO's efforts to let market participants better specify their real-time costs after the DA bidding cycle closes. As discussed at the April 29th meeting, we strongly encourage the CAISO to support rebidding not just before the FMM starts but *within* the FMM as well. While rebidding up to T-75 before the start of the FMM would be an improvement, it still would create up to a 24 hour gap between the bids and the operating hour (24 hours for the last operating hour of the day, for example). A rolling rebid deadline, or biddable windows for several blocks of time during the day, would be an improvement over the design expressed in the CAISO's straw proposal.

Cost recovery for demonstrable costs beyond proxy costs: In the case that the ISO does not implement a means for suppliers to bid their start up and no load costs, WPTF supports recovery of costs in excess of the proxy gas price. We do not understand the relevance of a "threshold", and rather believe the ISO should provide compensation for any incurred costs that can be demonstrated. A threshold could be used to set values below which the ISO's effort to verify costs might be reduced, yet allowing cost recovery above any threshold with demonstration. WPTF also strongly supports recovery of demonstrated losses on sales of gas when the CAISO reduces a supplier's schedule after the day-ahead market. WPTF is open to further discussions on how a basis for such loss determinations would be determined and looks forward to more dialog on this detail.

WPTF strongly supports recovery of all delivery-related fuel costs. WPTF does not agree with the ISO that it is acceptable to let some fuel costs go unrecovered because – as the ISO puts it – these are more capacity-related costs. RA contracts may well not recognize such incremental expenditures, and not all suppliers hold RA contracts. Similarly, if the CAISO's position is that it is appropriate to rely on the use inframarginal rents from one period to cover operating cost losses in another period, WPTF does not agree that such a policy would be prudent. Lastly, although the DMM analysis that proxy costs are often sufficient to cover the index-based gas burn, we request that CAISO continue to characterize the limitations of the assumptions with such an analysis. The analysis presumes that the supplier will encounter no other operating costs outside those already built into the proxy price, and that the supplier does procure the gas at or below the index price. Since other costs can be encountered, and

since suppliers can pay more than index to buy gas to ISO deployments, the DMM's analysis should not be overgeneralized to suggest that with a high probability a supplier's gas costs are fully recovered.

In short, WPTF supports, first and foremost, a supplier's ability to bid their start up and min load costs; this would allow suppliers to manage the risks associated with intra-day dispatch. Absent such a policy, the CAISO should have an explicit policy that all costs directly related to following the CAISO's dispatch instructions should be recoverable.

Resource Characteristics: WPTF sees merit in distinguishing between physical and market resource characteristics, and we look forward to more dialog on this issue.

We appreciate your consideration of these comments.