

Western Power Trading Forum comments on Convergence Bidding Issues at the Interties

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

August 5, 2011

WPTF continues to strongly believe that suspending convergence bidding at the ties is mis-directed and would be counterproductive to the CAISO markets.¹ The CAISO's proposal for addressing convergence bidding at the ties is effectively unchanged from its previous proposal, and as a result WPTF has few additional comments to offer.

Please refer to our previous comments and submittals including comments submitted on the last CAISO proposal paper

(http://www.caiso.com/Documents/WPTF_Comments_RevisedStrawProposal_ImpactOnConvergenceBidding.pdf) and WPTF's presentation provided at the last stakeholders meeting

(http://www.caiso.com/Documents/WPTF_Presentation-IntertieConvergenceBidding_ISOMarkets.pdf)

These prior documents summarize WPTF's perspective, namely that:

- The CAISO should focus foremost on a sustainable market design that conform settlements for internal and external resources;
- The real-time imbalance energy offset charge (RTIEO) is primarily driven by factors other than convergence bidding;
- The actions of the ISO to reduce the RTIEO have been productive but the charge is still very sensitive to CAISO operator actions and other factors unrelated to convergence bidding;
- Convergence bidding has reduced costs to LSEs well in excess of any RTIEO cost impacts stemming from convergence bidding;
- Convergence bidding is a useful market feature, and convergence bidding at the ties provides hedge capabilities that cannot be replaced by an internal node-only convergence bidding policy;
- Parties are willing to further consider settlement rules and other means to manage the impact of intertie convergence bidding on the RTIEO;
- WPTF members are willing to manage the risks of the dual constraint issue for convergence bidding, and thus this should not be a driver for suspending convergence bidding.

Lastly, we note that more recent data provided by the CAISO at the market performance and planning meeting (http://www.caiso.com/Documents/Agenda-MarketPerformance-PlanningForum_Aug_3_2011.pdf, slides 10 through 14) continue to reflect the lack of correlation between the overall RTIEO and convergence bidding and the minimal impact the dual constraint is having on parties in recent months.

¹ These comments represent the majority position of WPTF. WPTF recognizes, and wishes to acknowledge the fact, that PowerEx has alternate positions on this issue.