

California Department of Water Resources State Water Project Comments On Impact of Convergence Bidding on Interties

June 24, 2011

On June 10, 2011, CAISO published Revised Straw Proposal regarding Impact of Convergence Bidding on Interties. On June 17, 2011, CAISO hosted a conference call for the Impact of Convergence Bidding on Interties. California Department of Water Resources State Water Project (SWP) appreciates the opportunity to submit comments on this Revised Straw Proposal.

1. The Threshold for an Emergency Filing

SWP supports an emergency filing implementation of a settlement rule if Real-Time Imbalance Energy Offset (RTIEO) exceeds a specific threshold in 30-day rolling cumulative window. What threshold is reasonable? In the Straw Proposal the threshold was set at \$25 million, which was never reached. In the Revised Straw Proposal the proposed threshold was revised down to \$20 million; which the RTIEO has not reached from January 2011 through present. SWP requests CAISO consider a \$10 million RTIEO 30-day rolling cumulative threshold to reflect the ongoing cost to Market Participants caused by this issue.

2. Eliminate Convergence Bidding from HASP

CAISO proposes to indefinitely remove Convergence Bidding at interties. What has been the effect on RTIEO by CAISO's recent restriction of Convergence Bidding at interties? The June 22, 2011 Market Performance and Planning Forum did not appear to provide conclusive data. SWP is concerned about the volatile RTIEO charges and requests CAISO continue to develop solutions for effectively reducing the RTIEO amount.

3. Additional Rules to Deter Implicit Virtual Bidding

SWP supports CAISO take measures to deter potential implicit virtual bidding. SWP requests CAISO conduct more analysis to verify the proposed new settlement rule will not create new issues and negatively affect import ETC schedules.

4. Allocation of Real-Time Imbalance Energy Offset

SWP supports CAISO change current allocation of the RTIEO cost or credit. The RTIEO should be allocated to all Scheduling Coordinators, because the RTIEO cost or credit is related to all market participants, including Generation/Demand, Import/Export, and Convergence Bidding.