

Citigroup Energy, Inc (CEI) appreciates the opportunity to weigh in on CAISO's proposed implementation of the requirements of FERC Order 764. In these comments, CEI will focus solely on the issue of transferring risk to intertie transactions with no apparent purpose. Instead of unnecessarily shifting risk to imports and exports, which are essential for reliability, CAISO should work in tandem with its neighbors to develop a regional solution to fifteen-minute scheduling and continue to allow bid-cost recovery, while allowing more flexible fifteen minute scheduling as an optional flag.

While CAISO's desire for fifteen-minute scheduling is laudable, it should do so within the context of the WECC Order 764 Task Force, rather than as a separate procedural path. We encourage CAISO to take a leadership role in this by hosting a panel of experts from among adjacent balancing authorities. Until CAISO and its neighbors jointly create a mechanism to allow for a fifteen-minute scheduling mechanism that allows for everyone to participate and accurately accounts for regional USF (which occurs on an hourly basis and may not have a simple way to convert to 15-minute scheduling), it should allow for flexible scheduling to be optional, and maintain the existing settlement mechanisms for those who do not desire to move to fifteen minute scheduling.

Shifting risk to intertie transactions without a mechanism for mitigating that risk can only result in higher costs and unnecessary inefficiency. CAISO's preferred method for scheduling coordinators to work with their counter-parties in neighboring balancing authorities. While theoretically possible, this often outside the control of many SCs, as many contracts are already signed and the rules of neighboring balancing authorities are outside the control of SCs. Therefore, the risk created by CAISO cannot be effectively mitigated. When engaging in market design, policy makers should allow for markets to efficiently manage risk, in order to create the best outcome. By merely creating risk without creating market mechanisms to manage the risk, CAISO is proposing a sub-optimal solution.

Instead of the current mechanism, making fifteen minute scheduling optional will allow for the best outcome. Intertie transactions will likely gradually transition to fifteen minute scheduling as contracts are updated and scheduling coordinators follow nodal price signals.

Kind regards,

Citigroup Energy, Inc