

Price Inconsistency Caused by Intertie Constraints Draft Final Proposal

Citigroup appreciates the opportunity to comment on the Price Inconsistency Caused by Intertie Constraints Draft Final Proposal. Citigroup feels very strongly that the CAISO should consider focusing on a solution that best serves the market in facilitating a competitive, robust and reliable environment.

1. Option "B"

Citigroup is under the impression that the CAISO is unwilling to focus on Option "B" as a viable solution. We would encourage the CAISO to hold a technical conference to discuss and walk-through the "adverse outcome" issue, outlined in the CAISO proposal. As mentioned on stakeholder a call, it is believed that the "adverse outcome" is not a scenario that one market participant could generally facilitate. We ask that the CAISO, why the DMM came up with this scenario, what might be the revenue implications, and if there are possible solutions to the issue while retaining the core features of Option "B?"

2. Option "A"

Citigroup believes that Option "A" is unnecessary and unjustified, taking into account the consequences versus and benefits of the option.

3. BCR

Citigroup is also very concerned that the CAISO does not propose to treat measured demand similarly to resources, in providing bid cost recovery. With the implementation of demand response and in an effort to allow operators all the necessary flexibility to manage reliability, it would be prudent to treat resources and measured demand similarly. The management of both resources and measured demand are viable solutions when facilitating grid operations, therefore, it is unclear why there is a need to discriminate against measured demand in this circumstance.

4. Final Suggestions

Lastly, we believe that the market participants need more time to think about viable solutions to this issue. We are not comfortable with the fact that physical power could be uneconomically committed at the interties, however, given the hard dollar costs of the problem, relative to the consequences of Option "A," we do not believe implementation of Option "A" is warranted.

Final suggestions are (in no particular order):

1. Deeper dive into Option "B" – complete understanding of the "adverse outcome"
2. BCR for measured demand
3. Financial market – RUC solutions to IFM