

PG&E Comments

Phase 2 - Convergence Bidding Information Release Comments on Draft Final Proposal

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Pacific Gas & Electric (PG&E) appreciates the opportunity to participate in the stakeholder process for CAISO's Data Release Phase 2 (Convergence Bidding Information Release) Initiative and to submit comments regarding the January 15, 2009 Draft Final Proposal.

Nodal Data Release

Support Both Timing and Scope of Proposed Nodal Data Release: PG&E believes that this proposal (net cleared virtual quantities - day after) has struck a good balance by providing information that will increase market efficiency without revealing proprietary or sensitive information. Releasing the Net Virtual Position at every Node, Trading Hub and Default LAP will allow for better market monitoring and validation by all Market Participants. Furthermore, publishing this information after the close of the Real Time Market will ensure that it can not be used to inform physical bids in any of the current markets.

We agree with the CAISO that this data release framework, "will promote competition by encouraging participation and thus increase market liquidity, especially during the early stages of the market¹." Since all participants are able to see which nodes have a significant amount of virtual activity, other virtual bidders may enter the market with virtual bids at the high interest nodes and spur additional convergence.

PG&E also agrees with the DMM's assessment that, "this information – along with the resulting LMPs – could help facilitate entry of more competitively priced virtual supply, as illustrated in DMM's November 2007 whitepaper, by LSEs or other traders²."

Finally, we support the MSC's assessment of the Data Release Proposal presented on January 22, 2010. At this meeting, the MSC acknowledged that the CAISO's proposal

¹ California ISO. Data Release & Accessibility Phase 2. Convergence Bidding Data Release. Draft Final Proposal. January 15, 2010, p.8. <http://www.aiso.com/271f/271f1113143b80.pdf>

² Comments of DMM on Straw Proposal. CAISO Data Release and Accessibility Phase 2. Convergence Bidding Data Release. January 13th, 2010, p.3. <http://www.aiso.com/271d/271de2506b330.pdf>

would release more information than any other ISO/RTO. However, it is their position that this is a superior approach and that it will lead to a transparent and well functioning market. The MSC identified four major benefits it expects from the proposed nodal data release³:

1. If market participants can reconstruct market outcomes with and without CBs, they can determine if actual costs of meeting load increased or decreased as a result of convergence bids,
2. With CB information release, market participants can more easily measure the success of their own convergence bidding efforts,
3. Participants can learn which CB strategies are successful and which are unsuccessful and under what system conditions, and
4. Participants can learn which CB strategies reduce wholesale price volatility.

A second theme of the MSC presentation was to establish a rationale for a different level of information release for convergence bids as compared to physical bids. They clearly defined convergence bids as financial transactions which should be subject to the same type of information release obligations as other financial markets (i.e., trade specific information released to all market participants). The MSC concludes that this financial information should be released unless it can be demonstrated to be harmful to the market⁴.

Day Ahead Market Summary Report

Support Proposed Contents of Daily Market Summary Report: PG&E appreciates that this proposed daily market report adopts the best practices from other ISOs and also adds additional helpful information. We support the proposed modifications to separately report intertie activity from internal transactions and to report at a load aggregation point level as well as at a system-wide level. We are assuming that the load aggregation point summaries will only be provided for the DLAPs (not custom LAPs) and apply to only demand data.

³ MSC Presentation. Convergence Bidding Information Release and Market Performance. Frank A. Wolak. January 22, 2010, p.8. <http://www.caiso.com/2725/2725e2c02c80.pdf>

⁴ Ibid, p.9.