

CPUC Comments on E-tag Timing Requirement

This template has been created for submission of stakeholder comments on the following topics covered in the October 20th Market Notice regarding E-tagging. Upon completion of this template please submit (in MS Word) to etagt看ing@caiso.com. Submissions are requested by close of business on **November 4, 2009**.

Submitted by	Company	Date Submitted
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The CAISO has released an issue paper on October 22, 2009 on “E-tag Timing Requirements Initiative.” In the issue paper the CAISO presents various options for timing requirements of E-tag of resource as a potential area that needs revision from the current practice. At the end of the day-ahead market CAISO operators need to electronically tag resources in order to determine physical dispatch of resources in real-time. Additionally, after virtual bidding is implemented in February 2011, it will be even more critical to E-tag resources at the interties and differentiate between physical versus virtual supply and demand. CPUC staff appreciates the opportunity to provide comments on the E-tag issue paper.

1. What comments do you have relating to issues identify in the Issue Paper dated October 22, 2009, or other issues relating to determining physical Day Ahead schedules?

CPUC staff acknowledges that with virtual bidding market implementation E-tagging of resources at the interties will be very important for the CAISO in order to maintain a reliable electricity grid and avoid unintended consequences. As pointed out by CAISO staff, the reliability of the CAISO can suffer if resources scheduled in the day-ahead market are not E-tagged in the day-ahead timeframe. For example, if day-ahead import schedules for energy and transmission are *not* procured physically in the day-ahead timeframe via E-tagging, CAISO does not have the same level of certainty as with resources that are accompanied by day-ahead E-tags. Additionally, 95% of market participants E-tag their resources in the day-ahead market, so requiring E-tagging for all will provide a level playing field for market participants.

2. What comments do you have regarding maintaining the status quo (Option 1)?

Currently CAISO E-tags resources 20 minutes before the start of the operating hours (at T-20) in accordance with North American Electricity Reliability Corporation (NERC) E-tag requirements. However, for the Western Electricity Coordinating Council (WECC), the vast

majority of its market participants E-tag their day-ahead awards the day before the actual delivery. Additionally with the introduction of virtual bidding, it is crucial for the CAISO to be able to distinguish between physical and virtual schedules well in advance of the operating hours. Failing to do so may provide market participants incentives to submit “implicit virtual bids” to avoid market costs and rules such as Congestion Revenue Rights (CRR) claw back rules.

3. What comments do you have regarding timing requirement with reporting (Option 2)?

Based on the current proposal the CPUC staff believes that the Option 2 does not provide sufficient enforcement to mitigate potential market manipulation. CPUC staff is not in a position to make additional comments on Option 2 timing since the final E-tag timing will be determined subject to a stakeholder process. However CPUC staff suggests that CAISO should be able to E-tag resources no later than at least five hours before the operating hours so that CAISO will have sufficient time to procure resources in case of a “no show” resource. The current CAISO proposal suggests that if a market participant repeatedly fails to submit E-tags for day-ahead schedules by the deadline, then CAISO will report the failure to Federal Regulatory Energy Commission and possible penalties would result. However, Option 2 does not define what “repeated failure” is. CAISO should provide a specific number to objectively measure any appropriate performance objective.

4. What comments do you have regarding timing requirement with financial implications (Option 3)?

CPUC staff Option 3 because it provides a more robust enforcement rule. Under Option 3 the E-tag timing requirement should not tag resources later than at least five hours before the operating hour. Ideally the resources should be E-tagged in the day ahead as well. CPUC staff also supports the provision that if a market participant fails to submit day-ahead E-tag by the new deadline (i.e., if the resource behaves like a virtual offer), then CAISO would reverse the market participant’s position in the Hour-Ahead Scheduling Process (HASP) in accordance with some specified pricing rule to be determined.

5. What other solutions would you recommend to resolve issues in number 1 above with no change to the E-Tag Timing Requirement (Option 4)?

CPUC staff has not fully explored the E-tag issue but believes that the current practice as outlined in Option 1 does not work with the implementation of virtual bidding at the interties.

6. What comments do you have with the stakeholder timeline?

CAISO should weigh in the costs and benefits of using various options and should be open to other options (not identified in the issue paper) if such options were to develop during the stakeholder process. Operations reliability is very crucial for the CAISO’s new market to function well. E-tagging of resources at the interties will help CAISO distinguish physical

from virtual bids. The CPUC staff acknowledges that for the CAISO operations to function fully, early implementation of an E-tagging process provides more certainty for CAISO operators.

7. Others?

CPUC staff does not have any additional comments. The CPUC staff looks forward to continuing to engage in the E-tagging stakeholder process.