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**Comments of Northern California Power Agency  
FERC Order 764 Compliance  
15-Minute Scheduling and Settlement**

**February 26, 2013**

Northern California Power Agency (“NCPA”) provides the following comments in response to CAISO’s 15-Minute Scheduling and Settlement revised straw proposal posted on February 5, 2013. While NCPA generally supports the concepts proposed by CAISO, NCPA’s comments herein focus on a two specific concerns/issues with the proposal as currently drafted: 1) Settlement of Load, and 2) Reintroduction of Convergence Bidding on the Interties.

**Settlement of Load**

CAISO is proposing that the differences in load from day-ahead schedules be settled at the weighted average LMP of the 15-minute market and RTD by DLAP. CAISO further explains that the LMPs will be weighted by the MWs cleared in the two respective markets. CAISO’s proposal appears to be based on the assumption that all load is metered only on an hourly basis. CAISO explains that the weighted average approach will result in neutrality charges that will be allocated back to load. The assumption that all load is metered hourly is not correct. As further described below, NCPA’s load is metered and settled at the same level of granularity as internal generation (each 5-minute interval); therefore settling NCPA’s load as currently proposed would not be just and reasonable.

NCPA operates in the CAISO as a Load Following Metered Subsystem (“LF-MSS”). As a result, NCPA is contractually required to install settlement quality metering at all points where it takes delivery of energy to serve load (or load take out points). CAISO currently meters NCPA’s load for each 5-minutes interval, and NCPA’s load is settled based on actual settlement quality meter data for each 10-minute settlement interval. Since NCPA’s load is metered at the same level of granularity as internal generation (each 5-minute interval), NCPA’s load should be settled based on actual LMPs, and not be settled using the weighted average LMPs as proposed by CAISO. Also, since NCPA’s loads are metered and settled at the same level of granularity as internal generation, NCPA’s load should not be subject to or be allocated any neutrality charges

as described by CAISO. NCPA should not be subject to such neutrality charges because the costs are driven by the fact that other loads in the system are only metered hourly. NCPA requests CAISO to update the next draft of the proposal based on these facts.

### **Convergence Bidding**

Reintroduction of Convergence Bidding at intertie scheduling points is not a stated requirement under FERC Order 764; therefore CAISO's proposal to enable Convergence Bidding at intertie scheduling points is out of scope and should be addressed in a separate stakeholder process (subsequent to implementing 15-minute scheduling and settlements). Introducing 15-minute scheduling and settlements will be a significant change to the current CAISO market structure, and NCPA strongly believes that CAISO should properly evaluate the impact such will have on overall market efficiency and prices/costs prior to complicating the landscape by reintroducing Convergence Bidding as currently proposed. During the past years, market uplift costs attributed to Convergence Bidding have been significant to say the least (primarily in the form of Real-Time Congestion Offsets costs and Real-Time Imbalance Energy Offsets costs). The CAISO also appears to have certain reservations about enabling Convergence Bidding at intertie scheduling points in parallel with 15-minute scheduling and settlements. In its proposal CAISO states "given the challenges and risks that have been demonstrated with convergence bidding on the interties, the ISO believes it is prudent to impose position limits on intertie convergence bids."

NCPA strongly believes that if Convergence Bidding is reintroduced as part of this initiative, establishing strict position limits will be very important, but in light of the risks involved (as demonstrated by \$100 + million in market uplifts experienced) NCPA believes that it would be prudent to evaluate what impacts 15-minute scheduling and settlements has on the market prior to reintroducing Convergence Bidding at intertie scheduling points.