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NCPA Comments on CAISO Draft Final Proposal E-tag Timing Requirements Initiative

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The Northern California Power Agency (“NCPA”) is pleased to have the opportunity to submit these comments on CAISO’s draft final proposal regarding the E-tag Timing Requirements Initiative, dated January 7, 2010.

CAISO is attempting to develop settlement rules to discourage the use of implicit virtual bidding at intertie scheduling points by making it more costly to use such practice. As CAISO states in its draft proposal, CAISO “seeks to allow appropriate HASP reversals while closing potential incentives that may facilitate implicit virtual bidding.” NCPA agrees with this policy in concept, and is encouraged that such policy will improve reliability, but NCPA is concerned that the proposed solution will inadvertently penalize those market participants who hold existing contractual rights to make Operational Adjustments to certain Intertie schedules (imports and exports) up to 30-min. prior to the active trading hour.

For NCPA, such rights are supported by Existing Transmission Contracts (“ETC”) and the NCPA Metered Subsystem Aggregator Agreement. NCPA’s real-time scheduling rights are limited in size, but are used and an integral part of its Load Following operations. NCPA is concerned that such rights, which are used to meet physical requirements, may be financially harmed by aspects of this proposal. NCPA believes that these established contractual rights should be included in the group of “appropriate HASP reversals” and be excluded from the proposed penalties.

The proposal does suggest that application of the HASP Reversal Settlement Rule can be mitigated, through the submission of an E-tag prior to HASP that supports the Day-Ahead award, but the proposal provides no way for NCPA’s real-time scheduling rights to avoid the CRR settlement “claw back” rule or allocation of Real-Time Uplift costs. HASP Reversal, CRR settlement and Real-Time Uplift charges should not apply to ETC or other predefined real-time scheduling rights. ETC and other real-time scheduling rights should have minimal, if any, impact on a market participant’s ability to move congestion to increase the value of its CRR portfolio because such rights are based on predefined and limited scheduling paths. These rights were originally established to support physical needs, and these rights continue under MRTU to be used to satisfy the load serving obligations of utilities.

NCPA agrees with CAISO’s attempt to limit implicit virtual bidding at intertie scheduling points, but is concerned that its preexisting real-time scheduling rights will become collateral damage in such effort. To ensure that this concern is not realized, NCPA requests that CAISO supplement its proposal to exclude ETC and other predefined real-time scheduling rights from the HASP Reversal, CRR settlement “claw back” and Real-Time Uplift charges being proposed.