

## **SMUD Comments**

### **re: e-Tag Timing Requirements**

Following the conference call on December 14, 2009, SMUD remains concerned that the CAISO's proposal for financial penalties related to implicit virtual bidding may actually penalize participants who merely adjust their DAM awards to follow loads on the flow day. SMUD has consistently tagged all DAM awards within the parameters of the WECC prescheduling calendar. SMUD may adjust the DAM awards in the HASP market, however, our current practice is to place a new bid in the HASP market using a different resource ID; thereby leaving the original DAM award intact. SMUD does not participate in non physical markets – explicit or implicit – and would not want to suffer financially for the inappropriate actions of others or to correct those same actions. SMUD would not consider supporting any financial penalties or changes to existing financial penalty thresholds for virtual bidding until the CAISO could assure participants those penalties will not find their way into the physical market.

SMUD supports a requirement to e-tag all DAM awards at some time before the HASP market and would further support the requirement to e-tag those awards according to the WECC preschedule calendar. The e-tag is seen as a way of showing the physicality of a transaction and may lend to the intent of a physical bid better than a mere flag attached to the bid. SMUD proposes the CAISO study the loss of those DAM bids that cannot be tagged before the HASP, due to transmission constraints, to determine if those bids are necessary to assure both a liquid and reliable market. Perhaps those same bids are better suited for only the HASP market.

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