

Comments of the Western Power Trading Forum on the CAISO's Order 764 Revised Straw Proposal

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WPTF appreciates the opportunity to submit comments on the CAISO's Order 764 Revised Straw Proposal of February 5, 2013. We also appreciate the ISO's ongoing efforts to refine its intertie pricing proposal. WPTF offers feedback in a number of areas below.

WPTF Supports Removal of the Transmission Reservation Aspect of the Proposal

We support the CAISO's recommendation to remove the transmission reservation aspect of the proposal; that element seemed to add complexity without significant benefit. We believe the proposed treatment of VERs as laid out in the straw proposal offers sufficient flexibility for the scheduling of those resources. While the VER schedule change features and priority mechanism for the 15-minute and block-hourly schedules still seems quite complex, WPTF has at this time no recommended solutions for further simplifications.

WPTF Urges the ISO to Host a Panel of Experts from Adjacent BAAs to Discuss the Proposal

WPTF universal concern across its membership about the proposal is the potential unworkability of this proposal with respect to adjacent BAAs. WPTF is concerned that both the timing and the energy schedule adjustments within the hour may be problematic to manage with adjacent control areas, and the proposal is not something that WPTF will ultimately support if in fact essentially no intertie schedules can participate in the 15-minute markets given adjacent BAA limitations.

From time-to-time the ISO brings in outside experts to discuss ISO proposals. We believe that this policy design process is ripe for such a panel discussion and strongly encourage the ISO to create such a forum prior to the preparation of its Final Draft Straw Proposal. In particular, WPTF recommends the ISO seek participation from representatives from BPA, APS and SRP. Through such a panel we would hope the stakeholders and ISO could confirm whether or not any significant level of participation in the 15-minute market could be supported by adjacent BAAs.

In addition, WPTF would like the following issues related to WECC practices addressed.

- How does 15-minute scheduling relate to current WECC protocols, procedures and standards related to scheduling practices, curtailments and energy adjustments? To what extent do the WECC protocols, procedures and/or standards address intra-hour or 1-time curtailment process, for reasons including economic?
- To the extent that the WECC rules and protocols allow for within the hour scheduling, please investigate the extent to which transmission providers can accommodate significant volumes of

within the hour schedule changes? Will transmission providers have to make significant adjustments within their IT systems, calculations of imbalance, as well as, internal processes and procedures?

WPTF is Undecided as to Whether Proposal Benefits Outweigh increased Burdens to WPTF Members

While we appreciate that the proposal offers the possibility of the benefit of a single financial settlement for the HA/15-minute market, the Order 764 proposal creates a number of burdens for different types of WPTF members. Further the proposal seems to shift burdens to the classes of membership within WPTF relative to the status quo HASP design. WPTF is undecided as to whether in its current form the proposal benefits outweigh the burdens. However, WPTF very much encourages further consideration of whether this shift in burden can be lessened.

Generally, WPTF sees the following Pros and Cons of the proposed Order 764 scheduling design.

Pros	Cons
<p>Conforms HASP/15-minute financial market across suppliers and nodes</p>	<p>For interties - does not match physical reality of hourly scheduling; shifts risks of CAISO HA to 15-minute market model changes and operator actions to intertie players</p> <p>For internal suppliers - does not match physical reality of 5-minute dispatch; shifts risks of CAISO 15-minute to 5-minute market model changes and operator actions to suppliers</p>

As an organization, WPTF is undecided as to whether in its current form the proposal benefits outweigh the adverse impacts. However we do note that the proposal results in a significant shift of burden to the supply community that is currently born by the loads. In particular under the current HASP design, when the market model representations do not match between HASP and RT, or when the ISO operators take actions in HASP that cause impacts that do not support the ultimate RT needs, the costs accumulate in the RTIEO and are borne by loads. Whereas WPTF appreciates the benefits of a conformed price, the CAISO’s draft proposal shifts the burden of the market model and operator actions to intertie schedules (15-minute price risk and no BCR) and internal suppliers (significant fraction of energy priced at 15-minute price, though dispatched on hourly basis). Whereas the RTIEO cost allocation policy suggested that this somewhat uncontrollable set of costs be distributed to load, the shift in policy away from this approach does not seem sufficiently supported by the ISO in the its draft proposal. WPTF ask the ISO to address more explicitly the basis for this policy shift; as imposing this burden on WPTF members without a strong rationale is inappropriate. More importantly, WPTF

encourages the ISO to consider means to moderate this shift in burden to intertie participants and internal suppliers.

WPTF requests Further Consideration of Declined Schedule Policies

WPTF asks the ISO to clarify the proposal with respect to the declined schedule charge. When does the charge apply and when does it not? Does it apply to hourly self-schedules and economic schedules equally, and if not why not? If the charge is applied based on the hourly advisory schedule, please explain why it is necessary or appropriate to apply a charge based on that outcome when the hourly advisory results not otherwise binding.

It does not seem appropriate to treat hourly block schedules differently from 15-minute schedules, especially in light of the fact that hourly schedules are already intended to be subject to 15-minute price risk, and that they are subject to RTD prices when not delivered.

It is unclear why it is appropriate to continue to treat interties differently from internal resources when under the proposal they will be subject to conformed prices under the ISO's Order 764 proposal. Please clarify why the ISO believes it appropriate to apply the charge to intertie transactions rather than simply subjecting them to RT prices.

WPTF Supports the ISO's Proposal to not use "Worse-of" Pricing

WPTF supports the ISO position that other mechanisms exist to dis-incent deviations, and we do not support the alternative proposal to layer on an additional punitive disincentive for deviations which would themselves move the market away from pricing energy at the market in which it was delivered.