

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA



FILED

07-19-10

04:59 PM

Order Instituting Rulemaking to
Integrate and Refine Procurement
Policies and Consider Long-Term
Procurement Plans.

Rulemaking 10-05-006
(Filed May 6, 2010)

**RESPONSE OF THE DIVISION OF RATEPAYER ADVOCATES
ON QUESTIONS CONCERNING VIRTUAL (CONVERGENCE) BIDDING**

KAREN PAULL
Attorney for the Division of Ratepayer Advocates

MARY JO STUEVE
JORDAN PARILLO
Analysts for the Division of Ratepayer Advocates

California Public Utilities Commission
505 Van Ness Ave.
San Francisco, CA 94102
Phone: (415) 703-2630
Fax: (415) 703-4322

July 19, 2010

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking to
Integrate and Refine Procurement
Policies and Consider Long-Term
Procurement Plans.

Rulemaking 10-05-006
(Filed May 6, 2010)

**RESPONSE OF THE DIVISION OF RATEPAYER ADVOCATES
ON QUESTIONS CONCERNING VIRTUAL (CONVERGENCE) BIDDING**

I. INTRODUCTION

Pursuant to the Administrative Law Judge's July 16, 2010 ruling modifying the schedule for development of proposals concerning participation of the investor-owned utilities (IOUs) in virtual (convergence) bidding into CAISO markets, the Division of Ratepayer Advocates (DRA) submits these comments on the twenty questions set forth in the ALJ's earlier ruling on convergence bidding issued on July 1.¹

II. COMMENTS

The questions framed in the July 1 ruling are very helpful to the development of the record. It is important that the Commission have adequate answers to inform its initial decision regarding IOU participation in virtual bidding. DRA will not attempt to provide many answers in the brief comments it submits today. DRA does, however, intend to submit specific recommendations in the comments due on July 30, after reviewing the answers to the twenty questions submitted by the IOUs today and the information provided in the workshop planned for July 26, where we will have the benefit of CAISO staff participation. DRA, like the Commission, needs to have a better understanding of the potential impacts of virtual bidding

¹ DRA prefers "virtual bidding" over the alternative term "convergence bidding" for two reasons. First, "virtual" appropriately reflects the fact that virtual bids are purely financial instruments, disassociated from any actual production or consumption of electricity. Second, convergence of real-time and day-ahead prices is at this point a theoretical benefit of the new CAISO market. Experience will show to what extent prices actually do converge and if they do, at what level.

on markets, energy prices, risks, and rates, in order to formulate specific recommendations. As a general matter, if the Commission authorizes the IOUs to participate in virtual bidding, DRA will support a program design that aligns IOU shareholder and ratepayer interests as much as possible.

The July 1 ruling asked parties whether there are any issues that the Commission needs to consider in addition to the ones identified in the ruling.² DRA suggests one: If the Commission authorizes the IOUs to participate in virtual bidding, some form of evaluation based on actual experience with virtual bidding is needed, to determine whether expectations are borne out and whether the standards put in place initially are accomplishing their purposes. This issue can be framed as follows:

Should the Commission have a plan to evaluate the actual (as compared with expected) impact of IOU participation in convergence bidding on procurement risk management and costs?
What information and analysis are needed for such an evaluation?
What would be the appropriate timing for such evaluation?

DRA notes that the evaluation issue may overlap with several of the twenty questions, e.g., Question 4 (on portfolio risk) and 8 (reporting requirements).

Respectfully submitted,

/s/ KAREN PAULL

Karen Paull
Staff Counsel

Division of Ratepayer Advocates
California Public Utilities Commission
505 Van Ness Ave.
San Francisco, CA 94102
Phone: (415) 703-2360
Fax: (415) 703-4432

July 19, 2010

² ALJ's Ruling on Convergence Bidding – Track III (July 1, 2010) at p. 6.

CERTIFICATE OF SERVICE

I hereby certify that I have this day *reserved* a copy of “**RESPONSE OF THE DIVISION OF RATEPAYER ADVOCATES ON QUESTIONS CONCERNING VIRTUAL (CONVERGENCE) BIDDING**” to the official service list in **R.10-05-006** by using the following service:

E-Mail Service: sending the entire document as an attachment to all known parties of record who provided electronic mail addresses.

U.S. Mail Service: mailing by first-class mail with postage prepaid to all known parties of record who did not provide electronic mail addresses.

Executed on **July 22, 2010**, at San Francisco, California.

/s/ NANCY SALYER
NANCY SALYER

SERVICE LIST

R.10-05-006

abe.silerman@nrgenergy.com
mpieniazek@drenergyconsulting.com
mdorn@mwe.com
jarmonta@calpine.com
b.buchynsky@dgc-us.com
jbloom@winston.com
Don.Vawter@AES.com
douglass@energyattorney.com
deana.ng@sce.com
mary@solutionsforutilities.com
AMSmith@SempraUtilities.com
liddell@energyattorney.com
mtierney-lloyd@enernoc.com
mdjoseph@adamsbroadwell.com
chh@cpuc.ca.gov
nao@cpuc.ca.gov
josh@brightlinedefense.org
mflorio@turn.org
smartinez@nrdc.org
nes@a-klaw.com
tjl@a-klaw.com
dbehles@ggu.edu
bcragg@goodinmacbride.com
jeffreygray@dwt.com
lcottle@winston.com
crmd@pge.com
ssmyers@att.net
JChamberlin@LSPower.com
wbooth@booth-law.com
pcort@earthjustice.org
wrostov@earthjustice.org
kfox@keyesandfox.com
gmorris@emf.net
jansar@ucsusa.org
lwisland@ucsusa.org
agerterlinda@gmail.com
tomb@crossborderenergy.com
kristin@consciousventuresgroup.com
janreid@coastecon.com
michaelboyd@sbcglobal.net
martinhomec@gmail.com
cmkehrrein@ems-ca.com
abb@eslawfirm.com
deb@a-klaw.com
achang@efficiencycouncil.org
mrw@mrwassoc.com
steven.huhman@morganstanley.com
vlauterbach@mwe.com

myuffee@mwe.com
dgilligan@naesco.org
cynthia.brady@constellation.com
kjsimonsen@ems-ca.com
ckmitchell1@sbcglobal.net
amber.wyatt@sce.com
case.admin@sce.com
GBass@SempraSolutions.com
JPacheco@SempraUtilities.com
WKeilani@SempraUtilities.com
ek@a-klaw.com
tam@fitcoalition.com
sue.mara@rtoadvisors.com
rcox@pacificenvironment.org
marcel@turn.org
mang@turn.org
matthew@turn.org
nlong@nrdc.org
abeck@cpv.com
AxL3@pge.com
AGL9@pge.com
GxZ5@pge.com
filings@a-klaw.com
lwilliams@ggu.edu
MWZ1@pge.com
mpa@a-klaw.com
CPUCCases@pge.com
will.mitchell@cpv.com
devin.mcdonell@bingham.com
jfilippi@nextlight.com
rafi.hassan@sig.com
robertgex@dwt.com
todd.edmister@bingham.com
vidhyaprabakaran@dwt.com
Diane.Fellman@nrgenergy.com
cem@newsdata.com
arthur@resource-solutions.org
RegRelCPUCCases@pge.com
wetstone@alamedamp.com
Sean.Beatty@mirant.com
kowalewskia@calpine.com
barmackm@calpine.com
cpucdockets@keyesandfox.com
dmarcus2@sbcglobal.net
rschmidt@bartlewells.com
patrickm@crossborderenergy.com
philm@scdenergy.com
bperlste@pacbell.net

jna@speakeasy.org
wem@igc.org
dwang@nrdc.org
bmcc@mccarthyllaw.com
mnelson@mccarthyllaw.com
brbarkovich@earthlink.net
bill@jbsenergy.com
brian.theaker@dynergy.com
mary.lynch@constellation.com
Danielle@ceert.org
ddavie@wellhead.com
drp.gene@sbcglobal.net
kdw@woodruff-expert-services.com
blaising@braunlegal.com
steven@iepa.com
eddyconsulting@gmail.com
atrowbridge@daycartermurphy.com
dsanchez@daycartermurphy.com
sas@a-klaw.com
aeg@cpuc.ca.gov
clu@cpuc.ca.gov
dbp@cpuc.ca.gov
jp6@cpuc.ca.gov
kpp@cpuc.ca.gov
kkm@cpuc.ca.gov
cho@cpuc.ca.gov
nws@cpuc.ca.gov
nlr@cpuc.ca.gov
rmm@cpuc.ca.gov
wtr@cpuc.ca.gov
rls@cpuc.ca.gov
rb2@cpuc.ca.gov
svn@cpuc.ca.gov
vsk@cpuc.ca.gov
ys2@cpuc.ca.gov
claufenb@energy.state.ca.us
jwoodward@energy.state.ca.us
ldecarlo@energy.state.ca.us
mjaske@energy.state.ca.us
irhyne@energy.state.ca.us