

UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

)	
)	ER06-615-000
)	ER02-1656-027
California Independent System Operator)	Docket Nos. ER02-1656-029
Corporation)	ER02-1656-030
)	ER02-1656-031
)	

COMMENTS OF SOUTHERN CALIFORNIA EDISON COMPANY ON THE CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION'S MOTION FOR EXTENSION OF TIME TO IMPLEMENT CONVERGENCE BIDDING

Pursuant to Rule 212 of the Rules of Practice and Procedure, 18 C.F.R. §385.212 (2009), of the Federal Energy Regulatory Commission (“FERC” or the “Commission”), and the Commission’s Notice Extending Answer Period issued November 23, 2009 in the above-captioned dockets, Southern California Edison Company (“SCE”) respectfully submits its Comments to the Motion For Extension of Time to Implement Convergence Bidding (“Motion”) by the California Independent System Operator Corporation (“CAISO”).

I. COMMENTS

On November 20, 2009, the CAISO filed a motion to request an extension of the time to implement its convergence bidding, also known as virtual bidding, in compliance with the Commission’s September 21, 2006 order.¹ The CAISO requests a ten month extension of time to implement convergence bidding – to February 2011 – to provide sufficient time for the

¹ California Independent System Operator Corp., 116 FERC ¶ 61,274 (2006) (“September 2006 Order”).

CAISO and market participants to develop and test the software and many interrelated business applications.

A. SCE Supports the CAISO's Request

SCE supports the CAISO's request for an extension of time to implement its convergence bidding proposal, and appreciates the transparency demonstrated by the CAISO in detailing the reasons for the extension request. SCE herein provides comments supporting the CAISO's request for extension until February 2011 in the following areas: (1) complexity and technical challenges with implementing a nodal bidding design; (2) development of a realistic implementation schedule; and (3) first quarter 2010 tariff filing date.

B. Complexity and Technical Challenges

As discussed in the CAISO's Declaration of Khaled Abdul-Rahman, the convergence bidding market features will require extensive modifications to most of the CAISO new software systems.² The resulting broad cross-functional impacts on CAISO systems will require extensive functional and integration testing by both the CAISO and Market Participants. Such substantive changes will require changes to SCE's internal systems and business processes in order to support the convergence bidding market features.

In addition, the CAISO's implementation schedule must include sufficient time to satisfactorily address the number of technical challenges identified by Siemens in its technical paper dated August 13, 2009.³ In particular, SCE notes the importance of maintaining the ability for the CAISO software to solve the Integrated Forward Market ("IFM") market using an Alternating-Current ("AC") solution. An AC solution ensures a correct calculation of marginal losses and the most effective unit commitment. If the optimization cannot find an AC solution, it

² Motion at p. 16 ("Software applications that will require modifications to implement virtual bidding are the day-ahead applications, real-time applications, Full Network Model, SIBR, the Settlement System, CAISO Master File, CAISO market results interface, OASIS, and Credit Software.").

³ <http://www.caiso.com/240a/240a7ace60860.pdf>.

must resort to a less efficient Direct Current (“DC”) solution. With very limited exceptions, absent virtual bids the CAISO’s software produces valid AC solutions in the Day-ahead market. However, the introduction of nodal virtual bids has the potential of finding an AC solution more difficult, and in some cases impossible. It is important for market efficiency that AC solutions remain the rule after the introduction of virtual bids. The CAISO needs time to address this very challenging problem.

Based on our understanding of the conceptual design filed with the Commission⁴ and the accompanying high-level implementation schedules of both software and non-software components, the request for an extension until February 2011 is reasonable in addressing these issues and should be granted by the Commission.

C. Realistic Implementation Schedule

The CAISO explains that the requested extension and implementation schedule takes into consideration lessons learned from the market launch to the development of new market features.⁵ In particular, the CAISO’s implementation schedule takes into consideration the time necessary for Market Participants to conduct market simulation, as well as including contingency time for the development and testing of the virtual bidding software.

SCE supports the CAISO incorporating the “lessons learned” from MRTU into the virtual bidding implementation schedule. Development of an implementation schedule that is realistic, rather than one with continuous changes in implementation dates, is beneficial to both Market Participant and CAISO resources. Furthermore, SCE supports the CAISO’s 20% contingency margin as a necessary buffer to allow sufficient time to address issues that may develop in the market simulation process.

⁴ <http://www.caiso.com/246c/246cd85a60880.pdf>.

⁵ Motion at p. 23.

D. First Quarter 2010 Tariff Filing

Due to the lengthy software development timeline and the complexity of the convergence bidding design, the CAISO has requested the Commission address the design elements of the CAISO's convergence bidding design policy proposal prior to the CAISO's submission of tariff language. SCE is in agreement with the CAISO that it is in the best interest of all parties for the Commission to address the design elements of the CAISO's convergence bidding design policy proposal prior to the CAISO's submission of tariff language.

As a result, the CAISO intention is to submit tariff language on its convergence bidding design policy in the first quarter of 2010. Given the standard FERC filing process, the earliest the CAISO's convergence bidding tariff language would be approved by the Commission is second quarter of 2010. Based on such an approval date, SCE does not see how it would be possible to complete software development, testing, and integration of internal software applications needed to support convergence bidding prior to a February 2011 implementation date, and thus the extension is warranted.

II. CONCLUSION

For all of the foregoing reasons, SCE urges the Commission to approve the CAISO's request for an extension of time, until February 1, 2011, to comply with the directives in the September 2006 Order to implement convergence bidding in the CAISO's new market.

Respectfully submitted,

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Dated: [December 9, 2009](#)

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing **COMMENTS OF SOUTHERN CALIFORNIA EDISON COMPANY ON THE CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION'S MOTION FOR EXTENSION OF TIME TO IMPLEMENT CONVERGENCE BIDDING** upon each person designated on the official service list compiled by the Secretary in this proceeding.

Dated at Rosemead, California, this 9th day of December, 2009.

Case Analyst

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