

**Rules for bidding above the soft offer cap**  
**Attachment 1: Stakeholder positions matrix**  
**May 2024**

Theme	Parties	Management Response
<p>Many stakeholders support removing the \$1,000/MWh cap on DEBs and modifying the bid cap for energy storage resources using a proxy opportunity cost value as an interim solution. They believe these changes will allow resources to better reflect their opportunity costs during high-priced periods and improve market efficiency.</p>	<p>BPA, CESA, PacifiCorp, PGE, PGP, Rev Renewables, SRP, SCL, Tacoma, Terra-Gen, TEA</p>	<p>Appreciate stakeholder support for removing the \$1,000/MWh cap on DEBs and modifying the bid cap for energy storage resources using a proxy opportunity cost value. These changes will allow resources to better reflect their opportunity costs during high-priced periods, leading to improved market efficiency and more effective management of resource availability.</p>
<p>Some stakeholders express concerns about the highly accelerated timeline and argue that more time is needed to thoroughly evaluate the proposals and analyze their impacts. They caution that rushing the implementation may lead to unintended consequences and suggest deferring the changes to allow for further stakeholder discussions and market testing.</p>	<p>CalCCA, Cal Advocates, PG&amp;E, SDG&amp;E, SCE, Six Cities</p>	<p>Acknowledge concerns raised by some stakeholders regarding the accelerated timeline for implementing the proposed changes. We understand the importance of thoroughly evaluating the proposals and analyzing their potential impacts to ensure that the changes effectively address the identified issues without introducing unintended consequences. The final proposal is a reasonable and balanced approach for addressing near-term market needs.</p>
<p>Some stakeholders oppose extending the proposed changes to the day-ahead market, arguing that the 24-hour optimization in the DAM already accounts for opportunity costs and that there is no demonstrated need for such changes in the DAM. Some stakeholders specifically focus their concern on the storage bid cap, while others raise concern with either change applying in the day-ahead market. They are concerned about the potential for significant unintended consequences and increased costs for ratepayers.</p>	<p>BAMx, Cal Advocates, SDG&amp;E, SCE, Six Cities</p>	<p>Acknowledge that the day-ahead market's 24-hour optimization already considers opportunity costs across the day. Based on stakeholder feedback, we are limiting the storage bid cap change to apply only in the real-time market, as the day-ahead market will optimize storage resources regardless of whether they bid over \$1,000. However, resources should be able to bid up to their DEB in both the day-ahead and real-time markets, as the DEB reflects the ISO's best estimate of the resource's marginal costs. Preventing resources from bidding up to their DEB in the day-ahead market could result in inefficient outcomes and prevent resources from reflecting their true costs.</p>

<p>Some stakeholders raise concerns the proposed changes may increase the potential for storage and hydro resources to exercise market power. They also question the appropriateness of allowing resources to submit bids greater than \$1,000/MWh for an entire day when elevated opportunity costs may only exist for a subset of hours.</p>	<p>Cal Advocates, DMM</p>	<p>Mitigating market power is a key priority for the ISO in designing and administering its markets. We also acknowledge that, ideally, resources would be able to submit bids reflecting their opportunity costs for individual hours or intervals. However, given the expedited timeline for implementation, it is not feasible to develop such functionality for this summer. The proposal includes sufficient measures to prevent the exercise of market power while still providing resources with needed flexibility to bid above the soft offer cap.</p>
<p>Some stakeholders oppose the use of the Maximum Import Bid Price for the purpose of reflecting intra-day opportunity costs, citing issues with the calculation of its “shaping factor” and concerns about liquidity of the underlying indices.</p>	<p>CPUC, DMM</p>	<p>The Maximum Import Bid Price is used by the ISO in other contexts to estimate hourly prevailing bilateral electricity prices. The ISO applies a shaping factor to translate the 16-hour block prices reflected in the bilateral indices into hourly prices. We are investigating concerns about the calculation for the shaping factor to ensure it is appropriately capturing the intra-hour variation in bilateral prices. We will start a stakeholder effort to consider whether any changes are needed. Given that the MIBP is already used in other market procedures, this effort is necessary regardless of the changes proposed in this Memorandum. We also acknowledge that the underlying indices may have limited liquidity for certain locations and for limited timeframes. However, these indices meet the liquidity requirements set by FERC. Using the fourth highest hour of the Maximum Import Bid Price represents a reasonable proxy for opportunity costs for 4 hour storage resources in the absence of a more precise alternative.</p>
<p>Many stakeholders urge the ISO to continue working on a long-term, durable solution to address the shortcomings of the interim proposal</p>	<p>Most parties</p>	<p>As discussed in the draft final proposal, we will be evaluating enhancements as part of a longer term evaluation of the design. We will also monitor the use of the new bidding flexibility enabled</p>

and implement a more comprehensive approach by summer 2025.		through the proposal and consider associated market results in any evaluation of future market reforms.
DMM is concerned that the existing BCR framework has some shortcomings when applied to energy storage resources, which can lead to inefficient BCR payments. Enabling higher energy bids from storage, while intended to allow them to reflect opportunity costs, may exacerbate these BCR issues and lead to increased BCR payments that DMM views as unwarranted.	DMM	We acknowledge DMM's concerns that enabling higher energy bids for storage resources could potentially exacerbate existing issues with BCR payments for storage resources. We will soon be engaging with stakeholders to consider enhancements to the BCR rules for storage resources to avoid unjustified excess BCR payments, better account for their unique operational characteristics and constraints, such as state-of-charge limitations, and plans to address these enhancements in an upcoming stakeholder initiative. This is necessary regardless of the rules proposed in this proposal.