

**Comments on Behalf of the Western EIM Regional Issues Forum on the
Draft Final Proposal in the Price Formation Enhancements Initiative on
Rules for Bidding Above the Soft Offer Cap
May 16, 2024**

The Western Energy Imbalance Market (“WEIM”) Regional Issues Forum (“RIF”) liaisons, on behalf of the RIF,¹ hereby provide comments on the Draft Final Proposal in the Price Formation Enhancements initiative on Rules for Bidding Above the Soft Offer Cap (“Proposal”).² As provided for under Section 7 of the EIM Charter, the RIF is authorized to undertake discussion of topics that are pending in ongoing stakeholder proceedings, and the function of the RIF is to facilitate discussion and provide educational or informational content regarding such topics and to produce documents and opinions of the RIF. The Proposal has been designated as a decisional item that is within the joint authority of the WEIM Governing Body and the Board of Governors of the California Independent System Operator Corp. (“CAISO”).

The RIF liaisons appreciate the opportunity to comment and provide the WEIM Governing Body with certain observations regarding the above-referenced stakeholder process culminating in the Proposal. In light of the varying stakeholder perspectives on the Proposal, both within and among sectors of the RIF as set forth in stakeholder comments throughout this initiative, this opinion does not provide a recommendation for or against approval of the Proposal. Consistent with the discussion below, the RIF liaisons strongly recommend development and implementation of a durable, longer-term solution to the identified issues no later than Summer 2025.

Following input from stakeholders during the March 18th RIF meeting and through comments in the Price Formation Enhancements Working Group process, this initiative came together quickly in early April to address a problem that market participants determined could have significant negative impacts on operating conditions during the summer of 2024. Specifically, the Proposal is intended to address the ability of resources with intra-day opportunity costs, including a sub-set of hydroelectric resources and battery storage devices, to accurately reflect these costs in their energy bids into the CAISO markets, thereby enabling these resources to be dispatched efficiently during stressed system conditions when market prices may be high. Under some stressed system conditions, omitting intra-day opportunity costs in the real-time market leads to sub-optimal management of the storage fleet when bids are limited to the soft-offer cap.

¹ The RIF is a stakeholder body organized under Section 7 of the Charter for WEIM and EDAM Governance (“Charter”) for the purpose of facilitating discussion of issues related to the WEIM. Under the Charter, meetings of the RIF are organized and facilitated by liaisons selected by stakeholder sectors, which include WEIM entities, CAISO Participating Transmission Owners, consumer-owned utilities located within a WEIM balancing authority area that are not included in another sector, public interest and consumer advocate groups that are actively involved in energy issues within the WEIM footprint, independent power producers and marketers that engage in transactions within the WEIM footprint, and the federal power marketing administrations.

² See Draft Final Proposal - Redline, *Rules for Bidding Above the Soft Offer Cap* (May 7, 2024), available at <https://www.caiso.com/InitiativeDocuments/Draft-Final-Proposal-Price-Formation-Enhancements-Redline-May-7-2024.pdf>.

The RIF liaisons commend the CAISO for its responsiveness in expanding the Price Formation Enhancements initiative to consider options for interim solutions that are capable of implementation with limited technology changes in time for peak summer conditions and would address the positioning of non-generator resources within the bid stack to reduce the risk of these resources being prematurely dispatched. The RIF Roundtable held on March 18 seemed to serve as a catalyst for the CAISO's latest response on this important issue. The RIF is encouraged by this outcome of the RIF Roundtable. It is indicative of the improvements resulting from the addition of the Roundtable discussion and the CAISO's revised Policy Initiatives Catalog and Roadmap process.³

At the same time, the RIF liaisons are aware that the issues in this initiative were previously identified by some stakeholders through prior CAISO engagement, both during the implementation of Order No. 831⁴ and post mortem reports on storage dispatch during tight market conditions. It may, therefore, have been feasible to begin policy development work on potential solutions at an earlier stage, which could have permitted a more complete assessment of options for interim solutions, including identification and mitigation of potential unintended consequences. While acknowledging the CAISO's responsiveness to stakeholder support for consideration of this topic, the expedited pace of this initiative underscores that the CAISO's Policy Initiatives Catalog and Roadmap process previously did not accommodate a clear process for initiatives to address time sensitive and critical issues arising outside of the Catalog/Roadmap or the need to timely track, monitor, and evaluate requests for market design changes that stakeholders identify as necessary to address operational issues.⁵ The new Catalog and Roadmap process is yet untested to see if it will advance issues timely to avoid expedited processes in the future, and the RIF liaisons recommend that the CAISO administer its new process in a way that enables a more proactive focus on stakeholder-identified issues.

The RIF liaisons note a split among sector participants, with some fully supporting the Proposal and others opposing implementation of at least some elements. In light of these divergent perspectives, the RIF liaisons are unable to make a recommendation regarding adoption of the Proposal. However, given the expedited pace of policy development, the need for narrowly-tailored solutions that can be implemented this summer, and the limited time in which to evaluate and implement alternatives,

³ See, e.g., White Paper, *Policy Initiatives Catalog and Roadmap Process Enhancements* (Dec. 20, 2023), available at <https://www.caiso.com/Documents/Policy-Initiatives-Catalog-and-Roadmap-Process-Enhancements-Dec20-2023.pdf>; see also Stakeholder Page, *Annual Policy Initiatives Roadmap Process – 2024*, available at <https://stakeholdercenter.caiso.com/RecurringStakeholderProcesses/Annual-policy-initiatives-roadmap-process-2024>.

⁴ *Offer Caps in Markets Operated by Regional Transmission Organizations and Independent System Operators*, Order No. 831, FERC Stats. & Regs. ¶ 31,387 (2016), *order on reh'g and clarification*, Order No. 831-A, 161 FERC ¶ 61,156 (2017).

⁵ See, e.g., 2024 Roundtable Report to the Western EIM Governing Body, *Western Energy Imbalance Market Regional Issues Forum Annual Policy Initiatives Catalog and Roadmap* (Apr. 30, 2024) at 6 (explaining on behalf of the EIM Entity Sector that "it remains unclear how urgent submissions will impact the prioritization of ongoing initiatives") and 10 ("[t]he COU Sector suggests that a process be created for "fast tracking" issues that require more immediate policy changes . . . there may be exigent issues to which resources should be diverted to accomplish important objectives. The CAISO should have the flexibility to identify and fast track these issues outside of the Roadmap process"), available at https://www.westerneim.com/Documents/Regional_Issues_Forum_Policy_Roundtable_Report.pdf.

further policy development work is needed to identify, assess, and adopt more durable approaches. The RIF liaisons understand that the CAISO intends to continue this initiative through a subsequent phase that will accommodate full consideration of a range of potential solutions and more detailed assessment of reliability risks and benefits, economic tradeoffs, and feasibility and timing. The RIF liaisons support this continuing policy work and note that most stakeholder comments likewise support additional policy refinement for longer-term implementation. The RIF liaisons strongly recommend development and implementation of a durable solution to the identified issues no later than Summer 2025.

Additionally, the RIF liaisons request that the CAISO monitor and evaluate the implementation of any interim solution that is approved for this summer, with appropriate reporting to stakeholders.

The liaisons listed below have reviewed and support the comments provided above. Consistent with the Operating Guidelines of the RIF, members of the RIF are not restricted in taking any position before the Federal Energy Regulatory Commission or in any other forum concerning matters related to the WEIM or the CAISO, and these comments should not be construed as superseding or supplanting any comments by individual stakeholders on the Final Proposal. Rather, these comments represent a consensus of the RIF stakeholder sector liaisons as to the issues addressed herein. In the event that the WEIM Governing Body has questions or would like to further discuss the comments provided on behalf of the RIF, the RIF liaisons welcome and encourage outreach by members of the Governing Body.

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