UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

California Independent System Operator Corporation	))	**Docket No. ER18-1169-000**

MOTION TO INTERVENE AND PROTEST OF THE DEPARTMENT OF MARKET MONITORING OF THE CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION

Pursuant to Rules 211, 212, and 214 of the Rules of Practice and Procedure of the Federal Energy Regulatory Commission ("FERC" or "Commission"), 18 C.F.R. §§ 385.211, 385.212, 385.214, the Department of Market Monitoring (DMM), acting in its capacity as the Independent Market Monitor for the California Independent System Operator Corporation ("CAISO"), submits in the above captioned proceeding this motion to intervene and protest for the reasons discussed herein.

DMM supports the CAISO's effort to develop a methodology and process for developing opportunity cost adders for units with actual environmental, regulatory or physical limitations on unit start-ups, operating hours and/or energy output. These opportunity cost adders would be incorporated into these resources' start-up, minimum load or default energy bids used in mitigation.

However, DMM opposes the exemption included in the CAISO's proposed tariff revisions that would allow opportunity cost adders based on contractual use limits which reflect economic rather than actual environmental or physical limitations. The proposed exemption reverses what the CAISO describes as "its longstanding

position that economic limitations such as those originating from contracts, such as power purchase or tolling agreements, are not acceptable limitations for establishing an opportunity cost adder under the resources bid cap."[1] The CAISO's longstanding position reflects the reality that it is inefficient, inequitable and very problematic to treat such contractual limitations as physical limitations when calculating bids caps used in the market optimization. The CAISO's proposed exemption from this longstanding position would have the effect of reducing both overall market efficiency and the flexibility of the CAISO's gas-fired fleet at a time when the CAISO will likely need to rely on a smaller but more flexible gas fleet to integrate the growing volume of renewable resources on the CAISO system.

DMM respectfully requests that the Commission reject the CAISO's proposed exemption that would allow opportunity cost adders based on contractual use limitations which do not represent actual environmental or physical limitations.

I. Comments

DMM has provided detailed comments on this initiative internally to the CAISO as well as through written comments submitted as part of the stakeholder process. When this issue was presented for approval to the CAISO's Board of Governors in March 2016, DMM was supportive of the CAISO's overall effort as a step forward toward addressing several important issues. However, DMM expressed significant concern about several changes made in the final proposal to

[1] *Filing to Implement Commitment Cost Enhancements Phase 3 Initiative, Request for Timely Commission Order, and Request for Waiver of Notice Requirement*, March 23, 2018, p. 24. (*CAISO filing*) http://www.caiso.com/Documents/Mar23_2018_TariffAmendment-CommitmentCost EnhancementsPhase3_ER18-1169.pdf.

accommodate some stakeholder groups. DMM noted that these changes "could have the effect of reducing overall market efficiency and the flexibility of the ISO's gas-fired fleet at a time when the CAISO will likely need to rely on a smaller but more flexible gas fleet to integrate the growing volume of renewable resources on the ISO system."[2]

DMM's main concern involves the CAISO's decision to include an exemption allowing participants to have opportunity cost adders included in bids used in mitigation which are based on contractual limitations which reflect purely economic rather than environmental or physical limitations. The CAISO's final proposal would allow opportunity cost adders for contractual constraints to be included in bid caps used in mitigation for a minimum three year period following the effective date of the proposed tariff revisions.[3] The CAISO has indicated it will review this issue and may extend this exemption beyond the initial three year period.

DMM objects to this exemption on the grounds that it is inefficient and inequitable to treat contractual limitations as actual physical or environmental limitations when calculating bids caps used in the market optimization. To the extent these contractual limitations may reflect actual physical or environmental limits, it is more efficient and appropriate to incorporate any actual physical or environmental limits directly into unit operating constraints or opportunity cost bid adders. The CAISO's prior proposals involving use limited status and opportunity costs have always been designed based on this basic principle. The CAISO market is explicitly

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[2] Memorandum to ISO Board of Governors, Eric Hildebrandt, March 21, 2016, p. 2, http://www.caiso.com/Documents/Department_MarketMonitoringUpdate-Mar2016.pdf.

[3] *CAISO filing*, pp. 24-26 and p. 4 (footnote 5).

designed so that any incremental maintenance costs associated with starting up and operating a unit can be incorporated directly in commitment cost bids through Major Maintenance Adders (MMAs). These MMAs represent the only efficient and appropriate way to incorporate any incremental maintenance costs associated with starting up and operating resources into unit commitments. For the reasons provided below, the Commission should reject the three year period for allowing opportunity cost adders based on contractual limitations to be included in bids caps used for mitigation as proposed by the CAISO.

Participants have already had three years notice that opportunity cost adders should not be based on contractual use limitations.

By the time the opportunity cost adders could be implemented in fall 2018, participants will have already been clearly on notice for over three years that contractual limitations representing economic limitations or tradeoffs should not be eligible for opportunity cost adders. The CAISO's initial August 2015 Straw Proposal on the CCE3 initiative confirmed that:

> … limitations accepted by the ISO [for use in opportunity costs] must be statutory, regulatory, based on an ordinance, due to a court order, or due to the design of the resource. They cannot be contractual or based on economic decisions such as staffing requirements or maintenance cost tradeoffs (e.g. to avoid catastrophic maintenance events). [4]

The CAISO's November 2015 revised straw proposal again clarified that:

> The ISO maintains its longstanding policy that noneconomic limitations should not qualify a resource as use-limited and for inclusion of opportunity costs, such as contractual provision that limits starts to 30 per month in contrast to an environmental permit that might limit starts to 600 starts per year. The former is

[4] *Commitment Cost Enhancements Phase 3 Straw Proposal,* August 24, 2015, p. 8, http://www.caiso.com/Documents/StrawProposal_CommitmentCostEnhancements-Phase3.pdf.

> an example of an economic limitation that will not be eligible for an opportunity cost. The latter is an example of a limit that will be eligible for an opportunity cost.[5]

The CAISO's final proposal issued in February 2016 included "a more detailed description to provide justification for why, in general, contractual limitations that are purely economic in nature that reflect a trade-off such as lower capacity costs for fewer start-ups or run hours, are not qualifying limitations to receive an opportunity cost".[6] The CAISO's final February 2016 proposal went on to explain that:

> Stakeholders with contract limits argue that not reflecting such limits in opportunity costs may jeopardize reliability. The ISO disagrees. First, to the extent there is an arguable reliability issue it is only because of contractual agreement to limit the availability of the resource. Second, the ISO can address reliability concerns through exceptional dispatches in the event of a reliability issue. Thus, if the ISO were to accept contractual limitations to deem a resource eligible for an opportunity cost, it would provide market participants the ability to both physically and economically withhold resources from the market while bypassing the market power mitigation processes in place. This in turn could lead to market inefficiencies and market power concerns that would go unmitigated. [7]

Despite such statements, the CAISO added a provision to the final proposal "allowing an exemption provision for contractual limitations entered into prior to January 1, 2015 that had undergone 'extensive regulatory scrutiny' to temporarily qualify for an opportunity cost adder. The proposal indicated that the exceptions would be granted "for up to three years following the effectiveness date of opportunity costs as determined through CCE3." [8] As explained in the CAISO's final February 2016 proposal:

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[5] *Commitment Cost Enhancements Phase 3 Revised Straw Proposal,* November 3, 2015, p. 8, http://www.caiso.com/Documents/RevisedStrawProposal-CommitmentCostEnhancementPhase3.pdf.

[6] *Commitment Cost Enhancements Phase 3 Draft Final Proposal*, February 17, 2016, p. 4, http://www.caiso.com/Documents/DraftFinalProposal-CommitmentCostEnhancementsPhase3.pdf.

[7] *Commitment Cost Enhancements Phase 3 Draft Final Proposal*, p. 16.

[8] *Commitment Cost Enhancements Phase 3 Draft Final Proposal*, p. 18.

> The ISO is viewing this as a transitional provision for three years, after which the ISO will no longer accept contractual limitations reflecting economic trade-offs for an opportunity cost. The transitional period of three years, as recommended by the CPUC, serves as time for the ISO and CPUC to consider RA implications, as well as provide time for market participants to either renegotiate the contracts and/or work with the Department of Market Monitoring to obtain a more accurate Major Maintenance Adder if applicable. In addition, as the percentage of intermittent resources in the fleet continues to grow, the ISO will require additional flexibility to maintain system reliability. If the ISO can utilize more flexibility from these resources currently constrained by contractual limitations, it could diminish the need for new resources to be built.[9]

As summarized above, by the time the opportunity cost adders could be implemented in fall 2018, participants will have already been clearly on notice that contractual limitations representing economic limitations or tradeoffs should not be eligible for opportunity cost adders since August 2015.

Delays in implementing opportunity cost adders keep extending the proposed exemption for contractual use limitations.

When the proposal was presented to the Board in March 2016, the CAISO indicated the opportunity cost adders would be implemented in fall 2016, so that this initial three year period would have ended in fall of 2019. At this time, the CAISO is indicating that the opportunity cost adders will be implemented no sooner than fall of 2018. Thus, the already two year delay in implementation of the opportunity cost adders will have the effect of extending the end of the initial three year transitional period from the fall 2019 to at least fall of 2021. The transitional period may be extended further by future delays in implementation of the opportunity cost adders, as well as by an extension that may be sought by the CAISO, as described below.

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[9] *Commitment Cost Enhancements Phase 3 Draft Final Proposal*, p. 18.

The CAISO has not committed to ending the exemption allowing opportunity cost adders for contractual limitations.

The CAISO has not firmly committed to a clear end date for this initial three year period allowing opportunity cost adders for contractual limitations. The opinion of the Market Surveillance Committee (MSC), comments by the CPUC, and some other stakeholders, suggest that this exemption should be extended beyond three years to the life of these contracts. In response, CAISO management has indicated it will indeed consider such extensions. As noted in the CAISO's memo to the Board of Governors on this issue:

> Given the uncertainty of the quantity of capacity that will be captured by the provision, and increasing flexibility needs of the markets, Management cannot fully assess the market impacts of extending the provision beyond three years at this time. However, Management does commit to evaluate, prior to the end of the three year period, potential market and reliability impacts if the provision were to be extended at that time "to evaluate, prior to the end of the three year period, potential market and reliability impacts if the provision were to be extended at that time."[10]

DMM believes this sends precisely the wrong message to participants about the potential need to modify contracts or take other steps to address this issue. After the initial three year exemption period, the CAISO will face the same pressure from the same participants to extend the exemption allowing opportunity costs based on contractual operating limits. Additional discussion of this issue is provided in the section of these comments addressing the MSC opinion on the CAISO's proposal.

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[10] Memo from Keith Casey to ISO Board of Governors, re: Decision on commitment cost bidding improvements proposal, March 17, 2016, p. 5, http://www.caiso.com/Documents/DecisionCommitmentCostBiddingImprovementsProposal-Memo-Mar2016.pdf.

The amount of capacity eligible for the proposed exemption for contractual limitations is unknown and may be very large.

The CAISO's filing contends that the provision allowing opportunity cost adders based on contract limitations that do not reflect environmental or physical limitations will only apply to "a small set of existing contracts." As explained in the CAISO's filing:

> The CAISO's policy is that economic contractual limits do not make a resource use limited and therefore, such resources are not eligible for opportunity costs. However, the CAISO is proposing one limited exception involving a small set of existing contracts and only for a period of three years after the tariff revisions go into effect. The CAISO's proposal strikes a reasonable middle ground between the position of some stakeholders that no contractual limitations should qualify for use-limited status and the position of other stakeholders that contractual limitations should qualify throughout the entire life of a contract.[11]

The CAISO provides no support for its assertion that the provision allowing opportunity cost adders based on contract limitations will only apply to "a small set of existing contracts." In fact, elsewhere the CAISO's filing indicates that "given the uncertainty regarding the quantity of capacity that will be covered by the tariff revisions, and increasing flexibility needs of the markets, the CAISO cannot at this time fully assess the market impacts of extending the provisions regarding qualifying contractual limitations beyond three years."[12]

The actual amount and location of capacity eligible for the proposed exemption – and the actual contractual limitations of these resources – will only be known with certainty after approval and implementation of the CAISO's proposal. However, based on information previously provided by the CAISO to DMM, DMM

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[11] *CAISO filing,* p. 4 footnote 5.
[12] *CAISO filing*, p. 26.

understands that an additional 5,000 to 10,000 MW of recently built gas fired capacity may be eligible under this three-year exemption and that much of this capacity is located in transmission constrained areas.[13] Data previously provided to DMM by the CAISO only included resources contracted by the state's investor owned utilities under CPUC jurisdiction. The CAISO's final filing expands the provision allowing opportunity cost adders based on contract limitations beyond CPUC jurisdictional utilities to include all contracts that were "reviewed and approved by a local regulatory authority."[14] While this expansion may make the provisions less discriminatory, this change also expands the actual amount of capacity that will be eligible for opportunity cost adders based on contract limitations.

While providing exemptions for a limited number of contracts may not have significant detrimental impacts, DMM is concerned about cumulative impacts if exemptions are provided to a significant amount of capacity, particularly if this includes a relatively large amount of capacity used to meet resource adequacy requirements in transmission constrained areas.

The CAISO proposal is inequitable for entities that do not have contract limitations.

DMM also questions the equity of the proposed exemption for entities that do not have eligible contractual limitations. As noted in the MSC opinion, such contract limitations may lower contracting costs for some load serving entities (LSEs), but have the effect of simply "shifting the consequences of those limits onto others," and

[13] *Memorandum to ISO Board of Governors*, Eric Hildebrandt, March 21, 2016, p. 3, http://www.caiso.com/Documents/Department_MarketMonitoringUpdate-Mar2016.pdf.

[14] *CAISO filing,* p. 25.

making the detrimental impacts of contractual limits on overall system efficiency, flexibility and costs "someone else's problem."[15]

The CAISO already includes the cost of starting up and running units in bid caps through Major Maintenance Adders.

Some contract limitations may be designed to limit maintenance costs associated with starting up and running a unit. However, the CAISO market is explicitly designed so that any incremental maintenance costs associated with starting up and operating unit can be incorporated directly in commitment cost bids through Major Maintenance Adders (MMAs). These MMAs represent the most economically efficient way to incorporate any incremental maintenance costs associated with starting up and operating resources into unit commitments. By incorporating these costs into commitment cost bids, the market software optimizes unit dispatch decisions. These MMAs also ensure that generators can recover the full incremental costs of starting up and operating a unit – through a combination of market revenues plus any supplemental bid cost recovery payments. Provisions allowing MMAs have been in effect since late 2013 and have been subject to review and approval by DMM since 2014.

The CAISO's filings suggests that the proposed three year period for allowing opportunity cost adders based on contractual limitations is somehow justified in part by a need to allow generation owners more time to develop or modify MMAs for their resources. The CAISO's filing asserts that:

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[15] *Opinion on Commitment Cost Bidding Improvements*, Market Surveillance Committee of the California ISO, March 14, 2016, p. 9 (*MSC opinion*) http://www.caiso.com/Documents/DecisionCommitmentCostBiddingImprovementsProposal-MSC_Opinion-Mar2016.pdf.

> The proposed three-year cutoff period will provide sufficient time for the CAISO and the local regulatory authority to consider the implications of the change for resource adequacy and provide time for market participants either to renegotiate their contracts or work with the CAISO's Department of Market Monitoring to obtain a more accurate major maintenance adder if applicable.[16]

All units in the CAISO system have already had ample time to apply for MMAs, which have been in effect for over four years since being implemented in November 2013. Indeed, most gas generation capacity in the ISO now has registered MMAs,[17] and there is no basis for the CAISO's suggestion that more time is needed to allow participants "to work with the CAISO's Department of Market Monitoring to obtain a more accurate major maintenance adder." Under the CAISO tariff, MMAs "must be based solely on resource specific information derived from actual maintenance costs, when available, or estimated maintenance costs provided by the Scheduling Coordinators."[18] MMAs cannot – and should not – be inflated beyond the actual maintenance costs associated with starting or running a unit as a means of reducing unit starts or run hours to stay within contractual limitations. If any generator believes MMAs approved by DMM are too low, the tariff provides the participant with means for resolving any such dispute, which include, but are not limited to, filing at FERC pursuant to the Section 205 of the Federal Power Act.[19] To date, no such disputes have occurred since MMAs were implemented over four years ago.

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[16] *CAISO filing*, p. 26.

[17] Currently, 74 percent of gas capacity active either in the ISO or wider EIM footprint has MMAs (37,423 MW of 50,591 MW total), including resources registered as generators and tie-generators.

[18] Section 30.4.1.1.4.

[19] *Id.*

The opinion of the Market Surveillance Committee confirms the inefficiencies of opportunity costs adders based on contractual limitations.

The opinion of the CAISO's Market Surveillance Committee (MSC) also acknowledges the inefficiencies and cost impacts on the market of allowing opportunity cost bid adders based on purely contractual provisions. As noted by the MSC:

> A major concern with allowing contractual limitations to be reflected in opportunity cost calculations is the possibility that such contractual limitations could significantly but needlessly limit the flexibility available to the system if those limitations do not reflect physical and regulatory limits, resulting in higher system costs. …. We also understand that many contracts have been entered into with limits on starts designed to reduce the cost of the maintenance contract, and thereby reduce to cost of the RA to the LSE by reducing the frequency with which major maintenance costs were incurred. Hence, such contracts are attractive to the LSE not because they enable the exercise of locational market power but because they enable the LSE to materially reduce maintenance costs with a small loss in potential energy market revenues. With improvements in the ISO's rules for calculating commitment costs over the past several years, these major maintenance costs can now be reflected in the commitment costs offers so the costs would be recovered if a resource were started often enough to raise these costs.
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> Overall inclusion of opportunity costs in bid caps is an improvement, as it allows for a more efficient treatment of such constraints for competitively bid units, as long as the tightness of the constraints is not exaggerated. Therefore it is desirable to avoid, where possible, the imposition of use limitations that are not based on design or regulatory limits nor based on costs that cannot be reflected in offer prices. To the extent a contract can be used to establish unjustifiably low use limitations, competition and efficiency could suffer.[20]

While the MSC agrees that "a phase out of contractual based limitations is appropriate," the MSC strongly supports the CAISO's extension of at least three years for contracts and "would not be opposed to a longer transition period for

[20] *MSC opinion*, p. 9.

existing contracts."[21] The MSC's rationale for supporting a minimum three year extension is as follows:

> Because the translation of use limitations to higher commitment cost bids is a new feature, it is reasonable to assume that such limitations were not negotiated with an eye toward circumventing the new rules. Further, the bulk of these contracts have been subject to review by the California Public Utilities Commission, which brings a perspective of protecting all ratepayers of California investor-owned utilities, or in the case of utilities participating in the Western EIM, by their respective state commissions. [22]

Although individual contracts eligible for the CAISO's proposed exemption were not "negotiated with an eye toward circumventing the new rules" and were subject to review and approval by the CPUC, this fact does not negate the negative impacts of allowing opportunity cost adders based on such contract limitations (individually and collectively) on market efficiency, equity and competitiveness. As explained by the MSC, contracts negotiated by LSEs and approved by the CPUC or other state commissions may include limitations that benefit the individual LSE signing the contract, but are detrimental for overall system efficiency, flexibility and overall system costs for all load serving entities:

> A load serving entity, having procured the bulk of their energy price hedges through other contracts, could perceive any market power or lack of system flexibility caused by a reduced availability of a marginal RA resource to be someone else's problem. Such a LSE might be willing to allow more limits on the availability of the resource in exchange for slightly lower average price, potentially shifting the consequences of those limits onto others.[23]

Moreover, as also noted by the MSC:

> ... in the case of restrictions in contracts for new capacity such as that procured in the CPUC long-term procurement process, it would not be a simple matter to

[21] *MSC opinion,* p. 10.

[22] *MSC opinion,* p. 10.

[23] *MSC opinion,* p. 9.

> identify contract restrictions that would enable a yet to be built unit to exercise locational market power on a local transmission constraint in future years.[24]

The MSC acknowledges that "we have not undertaken any assessment of the cost to rate-payers of renegotiating these contracts relative to the benefits, nor are we aware of any such assessment by the CAISO."[25] Given the lack of information on nature and scope of these contract limitations, DMM believes the proposal by the CAISO and MSC to allow opportunity cost adders based on contract limitations is imprudent, especially at a time when the CAISO will likely need to rely on a smaller but more flexible gas fleet to integrate the growing volume of renewable resources on the CAISO system.

The lack of clarity of the definition of resources eligible for opportunity costs adders based on contractual limitations is problematic.

FERC rejected, without prejudice, an earlier revision of the use limited resource definition submitted by the CAISO in Docket No. ER15-1875-000 for reasons including a lack of clarity.[26] The proposed contractual exemption suffers from a similar lack of clarity. The proposed definition of use-limited resource in this docket allows qualifying contractual limitations that meet the following criteria:

> (i) were reviewed and approved by a Local Regulatory Authority on or before January 1, 2015, or were pending approval by a Local Regulatory Authority on or before January 1, 2015 and were later approved; and (ii) were evaluated by the Local Regulatory Authority for the overall cost-benefit of those contracts taking into consideration the overall benefits and burdens, including the limitations on such resources' numbers of starts, numbers of run-hours, or Energy output. Contracts limits that provide for higher payments when start-up, run-hour, or Energy output thresholds are exceeded are not qualifying contractual limitations.

[24] *MSC opinion*, p. 9.
[25] *MSC opinion*, p. 11.
[26] *Order Accepting In Part, and Rejecting In Part, Proposed Tariff Revisions*, Docket No. ER15-1875-000, September 9, 2015. http://www.caiso.com/Documents/Sep9_2015_OrderAccepting_Part_Rejecting_PartProposedTariffRevisions_CommitmentCostEnhancementsPhase2_ER15-1875.pdf.

The quality and nature of review by a Local Regulatory Authority is not a transparent or objectively defined criteria. How will the CASIO verify that any review includes an assessment of "the overall cost-benefit of those contracts taking into consideration the overall benefits and burdens, including the limitations on such resources' numbers of starts, numbers of run-hours"? Even market participants themselves may not be able to determine or prove whether the contract review by a Local Regulatory Authority specifically took contractual limitations on starts or run hours into consideration, as apparently required under the CAISO's proposed tariff language. Determining that such limitations were present in the contract under consideration is not sufficient to determine that these limits were taken into account in overall cost-benefit analysis. The CAISO's filing does not include any details of whether or how the CAISO will review and approve (or disapprove) submission by participants for opportunity cost adders based on such contractual limits.

Indeed, as noted in the MSC's opinion:[27]

> The ISO is proposing that all use limitations be backed by a demonstrated physical or environmental requirement. We expect that even these attributes will prove to be less cut-and-dried than envisioned in the proposal. Therefore the ISO should expect the need to show some flexibility in its review of such conditions.

Unfortunately, since the CAISO's proposal was approved by the CAISO Board over two years ago, the CAISO has not collected information on the specific nature of the various environmental, physical and contractual constraints that participants may claim are eligible for opportunity cost adders. DMM has repeatedly recommended that the CAISO address this problem by collecting such data from

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[27] *MSC opinion*, p. 10.

participants prior to development of tariff language in order to help clarify which resources and constraints will be eligible for opportunity cost adders.

Proposed exemptions for minimum requirement of two starts per day should not be granted based on maintenance costs.

The CAISO tariff currently requires resource characteristics submitted to the CAISO's master file used by the market to reflect only actual physical characteristics. The CAISO is also proposing to provide generators flexibility to submit lower values for three key unit characteristics used in the market software: maximum daily starts, maximum multi-stage generator daily transitions, and ramp rates.[28] Resources will be restricted from submitting less than two starts per day as a preferred resource characteristic unless the resource is only physically capable of one start per day.

Some generators appear to view this change as a "tightening" of market rules. However, this actually represents a lowering of current tariff requirements concerning unit start-ups and ramp rates, since the CAISO tariff currently requires resource characteristics submitted to the CAISO's master file used by the market to reflect actual physical characteristics.

Under the proposal, generator owners may seek an exemption to the two-start per day requirement. The CAISO's final proposal appears to limit exemptions to this requirement based on the "design capability" of a unit or if "resources nearing the end of its life cycle may warrant the resource only starting once per day despite its design capabilities allowing it to start more than once per

[28] *CAISO filing,* pp. 29-32.

day." When implementing this provision, DMM notes that exemptions should not be granted on the grounds that starting a unit up to twice a day may increase maintenance costs. Again, CAISO market rules are designed so that any incremental maintenance costs can be reflected in Major Maintenance Adders (MMAs) included in commitment cost bids. This represent the most efficient and equitable way of incorporating these factors into unit commitments and compensation made by the CAISO market software and settlement rules.

II. MOTION TO INTERVENE

DMM respectfully requests that the Commission afford due consideration to this protest and motion to intervene, and afford DMM full rights as a party to this proceeding. The mission of DMM – like that of all Independent Market Monitors – is as follows:

> To provide independent oversight and analysis of the CAISO Markets for the protection of consumers and Market Participants by the identification and reporting of market design flaws, potential market rule violations, and market power abuses.[29]

The CAISO tariff states that "DMM shall review existing and proposed market rules, tariff provisions, and market design elements and recommend proposed rule and tariff changes to the CAISO, the CAISO Governing Board, FERC staff, the California Public Utilities Commission, Market Participants, and other interested

[29] CAISO Tariff Appendix P, Section 1.2. http://www.caiso.com/Documents/AppendixP_CAISODepartmentOfMarketMonitoring_asof_Apr1_2017.pdf. *See also Wholesale Competition in Regions with Organized Electric Markets,* FERC Order 719, 125 FERC ¶ 61,071 (2008), at P 188, where the functions of a Market Monitor include: "evaluating existing and proposed market rules, tariff provisions and market design elements, and recommending proposed rule and tariff changes not only to the RTO or ISO, but also to the Commission's Office of Energy Market Regulation staff and to other interested entities […]." https://www.ferc.gov/whats-new/comm-meet/2008/101608/E-1.pdf.

entities."[30] As this proceeding involves proposed tariff provisions which are inefficient and detrimentally affect the CAISO's markets, it implicates matters within DMM's purview.

III. CONCLUSION

The Department of Market Monitoring respectfully requests that the Commission afford due consideration to these comments as it evaluates the proposed tariff provisions before it.

Respectfully submitted,

/s/ Eric Hildebrandt

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Dated: April 13, 2018

[30] CAISO Tariff Appendix P, Section 5.1.

CERTIFICATE OF SERVICE

I hereby certify that I have served the foregoing document upon the parties listed on the official service lists in the above-referenced proceedings, in accordance with the requirements of Rule 2010 of the Commission's Rules of Practice and Procedure (18 C.F.R. § 385.2010).

Dated at Folsom, California this 13th day of April, 2018.

/s/ Grace Clark

Grace Clark