

**Comments to the ISO Board of Governors and Governing Body on the  
Draft Final Proposal in the Price Formation Enhancements Initiative on  
Rules for Bidding Above the Soft Offer Cap  
May 17, 2024**

The Bonneville Power Administration (Bonneville)<sup>1</sup> appreciates the opportunity to provide comments of support regarding the Draft Final Proposal in the Price Formation Enhancements initiative on Rules for Bidding Above the Soft Offer Cap (“Proposal”).<sup>2</sup> Bonneville would like to extend our appreciation to the CAISO for the time they have devoted to stakeholder engagement on these important changes to the existing market design. CAISO staff has made extraordinary efforts to expedite the review and assessment of potential solutions for this proposal, and given the time-sensitive nature of this issue, stakeholders have been especially appreciative of this approach.

Bonneville fully supports the removal of the \$1000/MWh cap on the DEB as an interim solution with implementation as soon as is feasible for the summer of 2024. For Bonneville, it is essential that CAISO bidding policy must support the optimal flow management of a cascading hydroelectric system and ensure its energy limited resources are not unduly deployed because of a cap, especially during tight market conditions. The existing bid cap increases Bonneville’s risk of energy replacement costs and overall system reliability during FERC 831 market conditions. These risks were borne out during the January 24 cold snap in the PNW. Removal of the \$1000/MWh bid-cap on storage and hydro resources is an improvement in market efficiency over status quo and will help place such resources on more equal footing with other resources that are not subject to the \$1000/MWh bid cap when the bid cap is raised to \$2000/MWh. Not removing this cap places resources in unequal and uncompetitive positions and diminishes their ability to accurately reflect their costs to bid and be dispatched in the WEIM. The cap also harms the resources’ ability to maintain the reliability of constrained system operations via resource offers.

Bonneville does have some concerns regarding the policy modifications applying only in the real-time market and not also in the day-ahead market. It is best practice to have rules that align the day-ahead and real-time markets, and such a change would further inequities between resource types. As the group reconvenes to address this topic in the future, we support deeper exploration of the interplay of different bid-caps between day-ahead and real-time and potential impacts to resource participation.

Bonneville would like to reiterate its support of this proposal and strongly recommends the development and implementation of a durable, longer-term solution to the identified issues no later than Summer 2025.

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<sup>1</sup> Bonneville is a federal power marketing administration within the U.S. Department of Energy that markets electric power from 31 federal hydroelectric projects and some non-federal projects in the Pacific Northwest with a nameplate capacity of 22,500 MW. Bonneville currently supplies around 30 percent of the power consumed in the Northwest. Bonneville also operates 15,000 miles of high voltage transmission that interconnects most of the other transmission systems in the Northwest with Canada and California. Bonneville is obligated by statute to serve Northwest municipalities, public utility districts, cooperatives and then other regional entities prior to selling power out of the region.

<sup>2</sup> 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>.