

**UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION**

California Independent System Operator Corporation) Docket No. ER21-1536-000
)

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

Pursuant to Rules 212 and 214 of the Rules of Practice and Procedure of the Federal Energy Regulatory Commission (“FERC” or “Commission”), 18 C.F.R. §§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 this motion to intervene and comment in the above-captioned proceeding.

I. MOTION TO INTERVENE

DMM respectfully requests that the Commission afford due consideration to these comments and motion to intervene, and afford DMM full rights as a party to this proceeding. Pursuant to the Commission’s Order 719, 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 entities.”¹ As this proceeding involves CAISO tariff provisions which affect the efficiency of CAISO markets, it implicates matters within DMM’s purview.

¹ CAISO Tariff Appendix P, Section 5.1.

II. COMMENTS

In this tariff filing, the CAISO proposes several tariff changes in advance of the 2021 summer.² These changes include:

- Paying hourly imports, which do not participate in the 15-minute market, the higher of their bid price or the 15-minute market prices during tight system conditions;
- Releasing reserve capacity at the bid cap rather than at their submitted bid prices when load is armed as reserves;
- Including Reliability Demand Response Resources in the hour-ahead market, fifteen-minute market and real-time unit commitment; and
- Including uncertainty requirements in the Energy Imbalance Market capacity test.

DMM supports these proposed tariff revisions and believes they will improve the functioning of the CAISO markets during tight system conditions. We provide additional details below.

Import and export market incentives during tight system conditions

DMM supports the CAISO proposal to compensate hourly block import bids clearing the hour ahead scheduling process at the higher of each resource's bid or fifteen-minute market price during very tight system conditions. This enhanced compensation should effectively address market participant concerns that real-time hourly block imports will not offer power to CAISO during tight system conditions

² *Tariff Amendment to Implement Summer 2021 Market Enhancements*, California Independent System Operator Corporation, Docket No. ER21-1536-000. (“Transmittal Letter”).

because of the risk that market revenues from settlement at 15-minute market prices will not meet their offer price.

In practice, over the third quarter of last year hourly block schedules tended to receive higher payments at 15-minute market prices than they would have if they had been paid their bid price. However, there is some risk that 15-minute prices can be lower than an import resource's accepted bid price in the hourly process.

Since the proposal removes the risk that imports could get paid below their offer price in any given hour during tight system conditions, the CAISO proposal should remove this potential disincentive to submit offers for hourly block imports to CAISO during tight system conditions. Ensuring hourly block imports receive at least their offer price on an hourly basis under very tight system conditions also avoids issues with netting bid cost recovery over the day which could undermine the policy intent. This settlement is also similar to how manually dispatched imports are already settled.

Setting bids to the bid cap for reserve capacity released into market for energy

Under the CAISO's proposal, when the CAISO arms load (i.e. prepares to shed load in a controlled manner if needed) to serve as operating reserves and then releases generation that was serving as reserves into the energy supply stack, the CAISO will set the bid price of the reserves added to the energy supply stack at the energy bid cap. DMM supports this proposal as a way of helping to ensure that prices are relatively high when system conditions are extremely tight, such that controlled dropping of load needs to be relied upon for operating reserve. This proposal is an

extension of how contingency only reserves are priced when these resources are called upon to provide energy.

Reliability demand response resource dispatch and real-time price impacts

DMM supports all of the CAISO's proposed RDRR modeling enhancements. The ISO proposes to allow RDRR resources to register as 60-minute or 15-minute dispatchable, rather than just 5-minute dispatchable. The CAISO also proposes to allow the hour-ahead and 15-minute markets to economically dispatch RDRR resources, and to include manual and economic RDRR resource dispatches in the hour-ahead and 15-minute market solutions.

During periods when RDRR resources are deployed, these enhancements should increase the efficiency of the real-time markets' solutions. The proposal to add the expected load curtailment from RDRR dispatches onto the load forecast in each market should help to prevent the dispatches from inappropriately suppressing market prices.

EIM resource sufficiency tests

DMM supports the CAISO working towards a bid range capacity test that can accurately validate if a balancing area has enough capacity to meet its load and export obligations. In the current filing, the CAISO proposes to add an uncertainty component onto the EIM capacity test requirement. DMM agrees with the CAISO that requiring balancing areas to provide sufficient capacity to meet a reasonable amount of uncertainty in addition to forecasted load should better ensure that each balancing area has provided sufficient resources to the real-time market.

DMM understands that due to the complexity of the capacity and sufficiency test issues, and the compressed timeframe for the summer readiness initiative, the CAISO is constrained to making limited changes to the capacity test at this time and supports continued work on improving the tests.

III. CONCLUSION

DMM 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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Independent Market Monitor for the California
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Dated: April 16, 2021

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 16th day of April, 2021.

/s/ Ryan Kurlinski
Ryan Kurlinski