

System-Level Market Power Mitigation Conceptual Design Proposal

Comments by Department of Market Monitoring
October 21, 2019

Comments

DMM appreciates the opportunity to comment on the ISO's *System-Level Market Power Mitigation Conceptual Design Proposal*.¹ DMM supports the ISO continuing with an initiative to design system-level market power mitigation. DMM encourages the ISO to undertake a full stakeholder initiative to design system-level market power mitigation and looks forward to working with CAISO throughout that process.

Preliminary analysis by DMM suggests that mitigation when major interties are binding, as currently contemplated by CAISO, will be an incremental improvement that would help to mitigate potentially uncompetitive CAISO system conditions. However, this approach may not capture all instances of potentially uncompetitive system conditions under which system market power could be exercised.

The CAISO proposes initially to impose system-level market power mitigation only in the real-time market. DMM also supports this as an incremental improvement, but encourages the ISO to continue thinking through the potential for unintended consequences when only mitigating the real-time market, while not mitigating the day-ahead market.

DMM also notes that elements of the real-time market may increase the potential for uncompetitive system conditions independent of binding interties, when compared to the day-ahead market. Specifically, the available competitive supply of imports in real-time may be reduced if lower levels of capacity outside CAISO are available to be scheduled in real-time incremental to day-ahead. Temporal limitations of real-time intertie scheduling will also limit the ability of available supply outside CAISO to mitigate potential system market power in a given interval of the real-time market.

If the ISO pursues system-level market power mitigation, the ISO should also consider modifications to the competitive LMP used in local market power mitigation. The current process for determining the competitive LMP implicitly assumes a competitive system price. This assumption is not valid in the presence of system-level market power and any approach for system-level market power mitigation should allow for a revised calculation of the competitive LMP to reflect the mitigated system price when appropriate.

¹ *System-Level Market Power Mitigation Conceptual Design Proposal*, California ISO, September 19, 2019; <http://www.aiso.com/Documents/WhitePaper-SystemMarketPowerMitigation-Sep20-2019.pdf>