

Stakeholder Process: Local Market Power Mitigation Enhancements Proposal

Summary of Submitted Comments

Stakeholders submitted four rounds of written comments to the ISO on the following dates:

- Round One: Issue Paper and Straw Proposal comments received 10/4/18
- Round Two: Supplemental Issue Paper and Straw Proposal comments received 10/18/18
- Round Three: Revised Straw Proposal comments received 12/10/18
- Round Four: Draft Final Proposal comments received 2/11/19

Parties that submitted written comments: Bonneville Power Administration, Chelan County Public Utility District, Deseret Power, Department of Market Monitoring, Idaho Power Company, Middle River Power, National Hydro Association, NRG Energy, NV Energy, PacifiCorp, Pacific Gas & Electric, Portland General Electric, Public Generating Pool, Powerex, Public Power Council, Puget Sound Energy, Southern California Edison, Seattle City Light, Six Cities, and Western Power Trading Forum.

Stakeholder comments are posted at:

<http://www.caiso.com/informed/Pages/StakeholderProcesses/LocalMarketPowerMitigationEnhancements2018.aspx>

Other stakeholder efforts include:

- Technical workshop meeting, 4/30/18
- Technical workshop meeting, 7/19/18
- Issue Paper and Straw Proposal conference call, 9/19/18
- Working group meeting, 10/10/18
- Revised Straw Proposal conference call, 11/28/18
- Draft Final Proposal conference call, 1/23/19

Market participant	New default energy bid (DEB) option for hydro resources	Enhancement to prevent dispatching resources to export power from constrained region at mitigated bid prices only because of market power when importing in earlier interval	Enhancements to processes for updating commitment cost bid caps and DEBs
Bonneville Power Administration	Strongly supports because hydro DEB adequately captures relevant factors of opportunity costs calculations for hydro resources.	Supports because enhancement improves mitigation accuracy.	Supports ability to update gas floor component of hydro default energy bid to reflect current gas prices. No comment on other elements.
Chelan County Public Utility District	Supports because proposed hydro DEB reasonably reflects a variety of hydro resources' opportunity costs.	No comment	No comment
Department of Market Monitoring	Conditionally supports but believes including opportunity costs of bilateral sales at other than a resource's location inappropriately includes transmission value in DEB. Also believes fixed storage horizon may overstate opportunity costs because it can extend beyond a hydro cycle.	Supports because enhancement improves mitigation accuracy.	Supports because enhancements include updating real-time market commitment cost bid caps and default energy bids with current gas prices.
Idaho Power Company	Supports proposed hydro DEB framework, but believes multipliers for gas floor, short-term, and long-term components are too low.	Generally supports	No comment
Middle River Power	No comment	No comment	Supports and encourages the ISO to implement the proposal to use a "Monday-Only" index as soon as possible.

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NRG Energy	No comment	No comment	Supports and encourages the ISO to implement the proposal to use a "Monday-Only" index as soon as possible.
NV Energy	Supports, but believes in addition to hydro resources, DEBs for use-limited gas resources should also include opportunity costs of bilateral sales at other than a resource's location.	Generally supports, but believes Management's proposed 10 cent maximum amount for an adder to mitigated bid prices to ensure mitigated prices are at least as high as competitive prices outside of a mitigated region is too high. They point out it is greater than a similar adder, which is 1 cent, that the EIM market applies to costs of energy transfers between EIM balancing authority areas so that it selects the most direct transfer path.	No comment
PacifiCorp	Supports because proposed hydro DEB acknowledges both short- and long-term opportunity costs of hydro resources with storage.	Supports	Supports
Pacific Gas and Electric	Supports, stating proposed DEB will more accurately reflect hydro resources' costs	Supports because enhancement improves mitigation accuracy.	Supports

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Portland General Electric	No comment	Supports	No comment
Public Generating Pool	Strongly supports because proposed hydro DEB recognizes short- and long-term limitations and provides an adequate DEB price that ensures minimal inefficient dispatch	Supports	No comment
Powerex	Strongly supports, notes including opportunity costs of bilateral sales at other than a resource's location is particularly important. Maintains more than one trading hub should be included in short-term component in some circumstances.	Supports because enhancement improves mitigation accuracy.	No comment
Public Power Council	Supports, particularly including DEB gas floor component based on average peaking gas generator cost.	Supports	No comment
Puget Sound Energy	Supports	Supports	Supports
Southern California Edison	Supports	Supports, states proposed maximum 10 cent mitigated bid adder is minimal and will not negatively impact locational marginal prices.	Supports, but requests clarification of the criteria the ISO will use to determine if a gas price index represents a sufficient amount of

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			trading so that it is appropriate to use to establish commitment cost bid caps and default energy bids.
Seattle City Light	Supports, particularly including opportunity costs of bilateral sales at other than a resource's location.	Supports	No comment
Six Cities	Supports	Supports	Supports, but requests the ISO clarify how it will account for gas costs for Mondays when the "Monday-Only" index is not available.
Western Power Trading Forum	Supports proposal but believes, in addition to hydro resources, DEBs for gas resources should also reflect opportunity costs of bilateral sales at other than a resource's location and should also reflect daily limitations.	Supports	Supports and encourages the ISO to implement the proposal to use a "Monday-Only" index as soon as possible. Requests clarification of the criteria the ISO will use to determine if a gas price index represents a sufficient amount of trading such that it is appropriate to use to establish commitment cost bid caps and default energy bids.
Management's response	Management believes it is appropriate to include opportunity costs of bilateral sales at other than a resource's location because energy sales at locations other than hydro	Management will specify in the tariff language to implement this enhancement that the maximum adder to mitigated bid prices will be 1	Management will develop criteria the ISO will use to determine if a gas price index represents a sufficient amount of trading such that it is

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	<p>resources' locations are typically linked to the output of the hydro resource. Energy purchasers often specifically purchase energy produced by hydro resources to meet carbon reduction goals.</p> <p>In addition, suppliers point out that in the bilateral market, transmission's value cannot be separated from energy's value because there is not a robust bilateral market for unused transmission.</p> <p>Management also believes its proposal for using a fixed storage horizon reasonably balances the practical considerations of implementation complexity and the difficulties in precisely modeling every hydro resource's operation. For example, there is the possibility that some hydro resources do not face maximum storage limitations each year. In addition, any default energy bid price inflation due to using a fixed storage horizon will be small and market power is not as much of a concern in the later months of the year as it is in other months.</p> <p>Management does not believe it is appropriate to include more than one hub in the short-term floor component of the DEB. This component is intended to account for</p>	<p>cent, rather than 10 cents. As NV Energy points out, this will be consistent with a similar adder the EIM applies to energy transfer costs. Management will determine the actual adder the EIM will use through market optimization tuning prior to implementation.</p>	<p>appropriate to use to establish commitment cost bid caps and default energy bids. It will establish this criteria consistent with existing FERC rules and will document the criteria in the tariff and/or in the appropriate business process manual.</p> <p>Management clarifies it will retain the existing 25 percent "reasonableness threshold" for suppliers to request adjustments to a resource's commitment cost bid caps and default energy bids for Mondays when the "Monday-Only" index was not used. The Monday-Only index is not used if it is not published or does not meet liquidity requirements.</p> <p>Management is submitting a separate tariff amendment to FERC so that the ISO can use the "Monday-Only" index for the day-ahead market over this summer. It will do this as a modification to temporary tariff provisions to update gas prices used for the day-ahead market the Board previously authorized.</p>

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	<p>short-term water availability limitations to ensure the ISO market does not dispatch a hydro resource too often on any particular day. It is not intended to directly reflect opportunity costs of sales outside the ISO market. Rather, it accounts for dispatch at EIM prices based on day-ahead bilateral prices at a representative hub and using multiplier. Management designed it based on the historical relationship of prices at single hubs to EIM prices.</p> <p>Applying the hydro DEB to gas resources is not appropriate because its components were designed to specifically reflect hydro resource limitations and the stakeholder process did not consider gas resource limitations. Any modifications to gas resource DEBs would have to be considered in a future stakeholder process.</p>		