

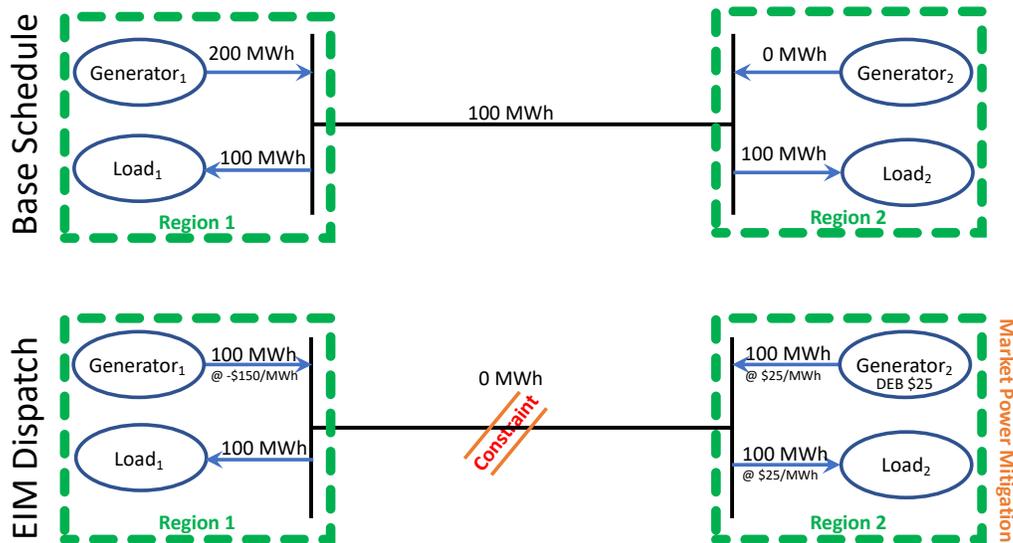
Deseret Power Comments on the California Independent System Operator Local Market Power Mitigation Enhancements Draft Final Proposal

Deseret Power appreciates the opportunity to submit comments on the CAISO's Local Market Power Mitigation Enhancements - Draft Final Proposal.

MARKET POWER MITIGATION

The CAISO's Local Market Power Mitigation tools require expansion to protect market participants from negative bids in the presence of market power. Market power can be exercised in an export constrained region to emulate cashflows typically associated with predatory pricing in an import constrained region.

Figure 1.



In Figure 1, a single entity owning two EIM Participating Resources located in two separate regions connected by a transmission line has submitted a Base Schedule of 200 MW for Generator₁ and 0 MW for Generator₂. In addition, loads of 100 MW exist in both Regions 1 & 2. If, in Real-time, the transmission line between the two regions becomes constrained to 0 MW, a bid of \$150/MWh by

Generator₂ would be constrained to its Default Energy Bid of \$25/MWh. However, Generator₁, in Region 1, is unconstrained in submitting a bid of -\$150/MWh. In addition to payments made to Generator₂, this stratagem would result in an additional payment to the owner of Generator₁ of \$15,000. As the sole EIM Participating Resource in Region 1, Generator₁ has the ability to self-select the price paid in the region for reducing generation. Any EIM Non-participating resources able to reduce generation in Region 1 would also receive the negative bid price. This strategy effectively circumvents the CAISO's current Market Power Mitigation tools. Scenario described is applicable whether Regions 1 & 2 represent Balancing Areas or areas internal to a single Balancing Area.

A partial solution to this problem would be to expand the DEB definition such that a bid would be constrained by a band — defined by both a ceiling and a floor — when market power is determined to exist in a region rather than the current implementation which only includes a DEB ceiling.

In the absence of a must-offer obligation, the owner of multiple resources in an export constrained region could be incented to select the single resource with the most negative DEB floor and only offer to reduce that resource's output during periods when the region is export constrained. To mitigate this additional phenomenon, a market indexed DEB floor should be considered as an appropriate constraint to negative bids.