

**COMMENTS OF IDAHO POWER COMPANY
ON CAISO'S LOCAL MARKET POWER MITIGATION
DRAFT FINAL PROPOSAL**

Submitted By	Company	Date Submitted
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Idaho Power Company (“Idaho Power”) appreciates the opportunity to comment on the California Independent System Operator’s (“CAISO”) *Local Market Power Mitigation Draft Final Proposal (Updated)* dated January 31, 2019. Idaho Power appreciates CAISO’s and stakeholders’ extensive work on this initiative. Idaho Power generally supports the proposals and has a few suggestions for further consideration.

I. FLOW REVERSAL AND ECONOMIC DISPLACEMENT

Idaho Power generally supports the proposals for flow reversal and economic displacement, and thanks CAISO and the stakeholders for their thoughtful work in developing them. Regarding the proposal for economic displacement, Idaho Power appreciates that the proposed transfer limitation is optional.

CAISO acknowledges that the rule has “shortcomings in the real-time dispatch, since the market power mitigation and pricing runs do not occur in the same interval.”¹ Specifically, the transfer constraint quantity will be determined using the advisory interval from the previous market run.² CAISO notes that “changes in system conditions can

¹ CAISO, *Local Market Power Mitigation Draft Final Proposal (Updated)* (“*Updated Draft Final Proposal*”), at 30 (Jan. 31, 2019), available at http://www.caiso.com/Documents/DraftFinalProposal-LocalMarketPowerMitigationEnhancements-UpdatedJan31_2019.pdf.

² *Id.*

result in a transfer that would have been different had the market inputs from the binding interval been used.”³ CAISO also notes that there is an “inherent shortcoming” of using the advisory interval for mitigation purposes in the real-time dispatch, and explains that an importing balancing authority area can rely on internal resources, including Available Balancing Capacity, to meet load.⁴ Idaho Power asks CAISO to monitor and periodically report on the effects of using the different market runs in this design.

II. NEW DEFAULT ENERGY BID FOR HYDRO RESOURCES

Idaho Power appreciates CAISO’s and stakeholders’ continued work on the proposed default energy bid (“DEB”) for hydro resources and CAISO’s willingness to incorporate a number of stakeholders’ suggestions in the updated draft final proposal. While the new hydro DEB formula is generally workable, CAISO should consider additional refinements.

Regarding the gas floor, the multiplier of 1.1 is too low and does not reflect the volatility that can occur in gas prices. A higher multiplier, such as 1.25, would be more accurate. In addition, CAISO has indicated it plans to use its current process for hydro resources to set up a gas price index. Idaho Power urges CAISO to allow more flexibility in this process. For example, if either of two gas price indices could apply, based on a resource’s location, the resource should be allowed to consider both and use the greater of the two. (Idaho Power recommends this approach also be used for natural gas generation DEBs.)

The multipliers for the short-term and long-term/geographic floors are also too low to accurately capture volatility. For example, the 1.4 multiplier on the short-term floor may

³ *Id.*

⁴ *Id.* at 32.

not capture one standard deviation of daily volatility when a two standard deviation price variance should be considered. In addition, CAISO's analysis shows that a 1.4 multiplier could still result in inefficient dispatch, based on PACE prices and for a resource with four hours of storage, in five percent of intervals.⁵ A higher multiplier is necessary to capture potential volatility and reduce the instances of inefficient dispatch. Further, the multipliers should be reevaluated on a regular basis to respond to varying conditions, including water conditions (that is, the type of water year that is occurring).

Regarding the consideration of multiple geographic indices, as Idaho Power stated in previous comments, Idaho Power has transmission to, and the ability to trade at, both (1) points on its system where prices follow the Mid-Columbia pricing, and (2) points on its system where, at certain times of year, prices are very similar to Palo Verde prices. In such a scenario, the DEB should use the greater of the applicable indices to recognize that optionality.⁶ It appears that CAISO will allow for this ability in the hydro DEB.⁷ Idaho Power interprets "electrically similar" as used in the final proposal⁸ to mean that the location to which the entity has transmission has pricing similar to a different hub. Idaho Power thanks CAISO for incorporating this suggestion.

Finally, Idaho Power appreciates CAISO's earlier confirmation that entities may continue to use existing negotiated DEBs. Idaho Power also requests confirmation that an entity may change its preferred DEB method at a later date if it chooses.

⁵ *Id.* at 41.

⁶ Idaho Power Company Comments on Local Market Power Mitigation Revised Straw Proposal, at 3-4 (Dec. 7, 2018), available at <http://www.aiso.com/Documents/IPCCComments-LocalMarketPowerMitigationEnhancements-RevisedStrawProposal.pdf>.

⁷ Updated Draft Final Proposal at 13 and 38, n.21.

⁸ *Id.* at 13 and 38.

Idaho Power thanks CAISO for the opportunity to comment and looks forward to continued collaboration on these and other issues.