



Comments of Middle River Power on the Local Market Power Mitigation Enhancements

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Middle River Power

Middle River Power, LLC (“MRP”) is the asset manager for approximately 1,600 MW of generating facilities in California. MRP’s California portfolio consists of a nominal, 150 MW of Combined Cycle Gas Turbine Units (High Desert Power and Tracy), 200 MW of Peaking capability (Hanford and Henrietta) and 270 MW of geothermal. MRP is also developing a 100 MW solar PV facility with an integrated battery energy storage system adjacent to our High Desert facility in Victorville. MRP also manages assets outside of California, including gas fired assets in PJM, providing MRP with experience with gas issues in that region that informs our views on Southern California natural gas markets.

Comments

Middle River Power (“MRP”) thanks the California ISO (“CAISO”) for the opportunity to submit comments on the Draft Final Proposal and the January 23 stakeholder call. We provide the following brief comments on the recent addition to the proposal regarding use of the ICE Monday-Only gas price index price.

MRP strongly supports the CAISO proposal to use the ICE Monday-Only gas price index in the day-ahead and real-time markets. This proposal is fundamental to fuel cost recovery and should ideally be implemented prior to this summer. MRP believes the CAISO Board of Governors already enabled the CAISO to make this change through a BPM process.

MRP also asks the CAISO to clarify the criteria for when the CAISO will use the Monday-Only index. The current language, “the CAISO may use the Monday-only index when it’s available...”, is unclear and subject to discretionary implementation.

Although MRP supports the CAISO’s proposal above, we also believe a broader fix is necessary to better align the gas trading markets and CAISO Day-Ahead awards on all trade days. There is currently a substantial divergence in the timing to procure gas for the Day-Ahead power market awards. MRP recommends a stakeholder process be implemented to address the timing of the Day-Ahead power market award better align with the timing for the previously established day ahead gas trading period. Being able to procure timely gas supply once the Day-Ahead market clears will help avoid same-day gas purchases. Timing Day-Ahead power market clearing with established gas pricing better aligns the markets and alleviates the divergence, creating a more efficient market. Currently, gas fired units must estimate their fuel costs for the subsequent day which exposes them to substantial financial and operational risks. With a better aligned gas and power day, gas fired generators would be able to offer the plants into the market with better knowledge of their true marginal cost, which, in turn, will result in more efficient outcomes and lower market prices.