



Comments on Use of More Updated Gas Index for Mondays in Temporary Day-Ahead Market White Paper

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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. The portfolio consists of ~1,150 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 facility adjacent to our High Desert facility in Victorville CA and manages other assets outside of California (CA).

Comments

MRP is pleased to have the opportunity to submit comments on the January 11, 2019 white paper, “Use of More Updated Gas Index for Mondays in Temporary Day-Ahead Markets”. MRP applauds the CAISO for acknowledging the issues as highlighted in the white paper:

“The CAISO understands that the three-day weekend package price the CAISO uses in the Day-Ahead market runs on Sunday for the Monday Trade Day is often a poor indicator of the price of procuring Monday-only gas, either through the Monday-Only Gas package that trades on Friday or through the Monday same-day market. “

As a result, MRP strongly supports the CAISO’s proposal to address this problem by using the Monday-Only Gas price if it is available when the CAISO runs its Monday Day-Ahead market on Sunday.

Although MRP supports the proposal above, we also believe a broader fix is necessary to better align the gas trading markets and CAISO DA awards on all weekday trade days. There is currently a divergence in the timing to procure gas for the DA power market awards. MRP is suggesting the timing of the daily DA 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 DA market clears will help avoid same-day gas purchase. Timing DA power market clearing with established gas pricing trades 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 risk. With a better aligned gas and power day, gas generators would be able to offer the plants into

the market with better knowledge of their true marginal cost which will likely result in more efficient outcomes and lower market prices. Further, this proposed modification will help better manage gas supply and alleviate shortages.

In conclusion, MRP supports the white paper which updates the gas index for Mondays in the Day Ahead market and encourages the CAISO to consider evaluating a change that would align the day ahead gas trades with the DA market clear. There are likely many ways to align the markets and CAISO would be well served to engage stakeholders in a process to outline possible enhancements.

MRP looks forward to timely implementation of this modification and will work closely with the CAISO on future enhancements.