UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

California Independent System Operator Corporation	))	**Docket No. ER21-447**

MOTION TO INTERVENE AND COMMENTS OF THE DEPARTMENT OF MARKET MONITORING OF THE CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION

Pursuant to Rules 212 and 214 of the Rules of Practice and Procedure of the Federal Energy Regulatory Commission ("FERC" or "Commission"), 18 C.F.R. §§385.212, 385.214, the Department of Market Monitoring ("DMM"), acting in its capacity as the Independent Market Monitor for the California Independent System Operator Corporation ("CAISO"), submits this motion to intervene and comment in the above-captioned proceeding.

In this filing, the CAISO proposes tariff provisions to remove "the current tariff-based limitation that requires delivery of the entire output of a pseudo-tied resource to the CAISO balancing authority area, and provides the framework for a pseudo-tie of a shared resource to participate in the CAISO markets."[1] DMM supports the CAISO's proposed tariff revisions for the reasons described in these comments.

I. MOTION TO INTERVENE

DMM respectfully requests that the Commission afford due consideration to these comments and motion to intervene, and afford DMM full rights as a party to this proceeding.

[1] *Pseudo-Ties of Shared Resources*, California Independent System Operator Corporation, Docket No. ER21-447. ("Transmittal Letter") http://www.caiso.com/Documents/Nov20-2020-TariffAmendment-Pseudo-TiesofSharedResources-ER21-447.pdf

Pursuant to the Commission's Order 719, the CAISO tariff states that "DMM shall review existing and proposed market rules, tariff provisions, and market design elements and recommend proposed rule and tariff changes to the CAISO, the CAISO Governing Board, FERC staff, the California Public Utilities Commission, Market Participants, and other interested entities."[2] As this proceeding involves CAISO tariff provisions that affect the efficiency and potential for market power in the CAISO markets, it implicates matters within DMM's purview.

II. COMMENTS

This initiative proposes to allow the entity or entities controlling a resource to model a single resource as if it is actually two or more separate resources. The proposal would allow each separately modeled "share" of the single physical resource to be modeled as being in a different balancing authority area (BAA) than the other shares of the same resource. Allowing different types of new resource sharing arrangements is expected to encourage greater participation in Western EIM and ISO markets.

During the CAISO's stakeholder process, DMM expressed concerns and recommendations related to the potential for a resource owner to inflate their bid cost recovery payments or to create inequitable allocation of bid cost recovery between balancing areas.[3] However, the final proposal effectively addresses these concerns. Therefore, DMM supports the final proposal.

Under the final proposal, the market schedules and bid cost recovery that each

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[2] CAISO Tariff Appendix P, Section 5.1.

[3] Comments on Pseudo-Ties of Shared Resources Final Proposal and Revised Tariff Language, Department of Market Monitoring, September 22, 2020 http://www.caiso.com/Documents/DMMCommentsonPseudoTiesofSharedResourcesFinalProposalandDraftTariffLanguage-Sep222020.pdf

participant (or share of a resource) receives will be determined by the details of how each share will split the single physical resource's telemetry, metered output, minimum load level, minimum load costs, start-up costs and maximum output level. This discretion will surely be valuable for allowing an owner(s) to work with the ISO on modeling complex arrangements to share non-standard resources between balancing areas. Allowing limited or no discretion in how resource attributes will be shared could unnecessarily impede participation in Western EIM and ISO markets.

However, this discretion also makes it almost impossible to predict all potential sharing and modeling arrangements that could be used to inflate bid cost recovery payments or inequitably allocate bid cost recovery to one participant or balancing area rather than the other. There are likely to be some strategies that could be employed in combination with sharing protocols to inflate bid cost recovery or to inequitably allocate bid cost recovery amongst balancing areas or between different entities within one balancing area.

DMM understands that eliminating discretion and flexibility to develop new sharing protocols at this time could inefficiently impede EIM and ISO market participation. DMM expects that existing bid cost recovery mitigation measures, such as those designed in 2012, should be applied and effectively mitigate many potential bid cost recovery issues.[4] However, even without any intent to circumvent mitigation measures or game bid cost recovery payments, new sharing arrangements could result in inequitable bid cost recovery payments to some participants which must ultimately be allocated to other entities or

[4] Bid Cost Recovery Mitigation Measures Third Revised Draft Final Proposal, CAISO, November 26, 2012: http://www.caiso.com/Documents/ThirdRevisedDraftFinalProposal_BidCostRecoveryMitigationMeasuresNov26_2012.pdf

balancing areas. These inequities may not be apparent until after these new sharing arrangements are fully implemented.

To address this scenario, the ISO added the following important provision to the final proposal:

> CAISO may revoke or modify the shared pseudo-tie arrangement if there is evidence of owner(s) using the shared resource allocation protocol or SQMD plan to exploit the bid-cost recovery mechanism to benefit the resource owner(s) or to inequitably allocate bid cost recovery between BAAs.

DMM believes this provision creates a reasonable mechanism for remedying problematic sharing protocols while providing the flexibility that the ISO and market participants may need to model complex sharing arrangements. Therefore, DMM supports the ISO's final proposal.

Respectfully submitted,

/s/ Ryan Kurlinski

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Independent Market Monitor for the California
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Dated: December 11, 2020

CERTIFICATE OF SERVICE

I hereby certify that I have served the foregoing document upon the parties listed on the official service lists in the above-referenced proceedings, in accordance with the requirements of Rule 2010 of the Commission's Rules of Practice and Procedure (18 C.F.R. § 385.2010).

Dated at Folsom, California this 11th day of December, 2020.

/s/ Candace McCown

Candace McCown