

**UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION**

**California Independent System) Docket No. ER20-2360-000
Operator Corporation)**

**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 tariff amendment, the CAISO proposes tariff changes designed to enable suppliers to request adjustments to their CAISO-calculated commitment cost and energy price reference levels that more accurately reflect their costs.¹ These proposed changes arise from the CAISO’s Commitment Costs and Default Energy Bid Enhancements (CCDEBE) stakeholder initiative. The tariff amendment also addresses certain concerns expressed by the Commission in the First CCDEBE Order regarding the use of multipliers in connection with reference level changes.² Specifically, the CAISO no longer proposes to include any

¹ *Tariff Amendment to Enable Updates to Default Commitment Cost and Default Energy Bids, Request for Timely Commission Order, and Request for Waiver of 120-Day Notice Requirement*, ER20-2360-000, July 9, 2020. <http://www.aiso.com/Documents/Jul9-2020-TariffAmendment-CommitmentCostsandDefaultEnergyBidEnhancementsCCDEBE-ER20-2360.pdf>

² Cal. Indep. Sys. Operator Corp., 170 FERC ¶ 61,015, at PP 39-42 (2020) (First CCDEBE Order).

multipliers when calculating reference levels submitted by suppliers based on their verifiable actual or expected costs.

DMM generally supported the proposed changes in the CAISO's August 2019 CCDEBE filing, but explained that several key details of the CAISO's proposed rules for allowing suppliers to request adjustments to their commitment cost and energy reference levels merited further clarification and/or modification.³ DMM specifically recommended that the CAISO clarify and/or modify proposed tariff provisions regarding the inclusion of any adders or multipliers which could be included in the reference level adjustment requests for commitment cost bids that were based the suppliers "actual or expected costs." DMM also recommended that additional clarification or changes are needed by the CAISO with respect to how a supplier's estimate of any risk associated with gas supply limitations or pipeline imbalance charges should be treated when calculating bid caps or reasonableness thresholds.

The CAISO's current filing effectively addresses each of DMM's concerns with the 2019 CCDEBE filing. In light of these changes, DMM supports each of the elements of the CCDEBE proposal included in this tariff filing.

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.

³ *Motion to Intervene and Comments of the Department of Market Monitoring*, ER19-2727-000. September 20, 2019.
<http://www.caiso.com/Documents/MotiontoInterveneandCommentsoftheDepartmentofMarketMonitoring-CCDEBE-ER19-2727-Sept202019.pdf>

The mission of DMM, as prescribed in the CAISO tariff pursuant to the Commission's Order 719, is as follows:

To provide independent oversight and analysis of the CAISO Markets for the protection of consumers and Market Participants by the identification and reporting of market design flaws, potential market rule violations, and market power abuses.⁴

The CAISO tariff further 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."⁵ As this proceeding involves CAISO tariff provisions which affect the efficiency and potential for market power in the CAISO markets, it implicates matters within DMM's purview.

II. COMMENTS

Reference level adjustments

DMM's comments on the CAISO's 2019 tariff filing recommended that the CAISO clarify whether any adders or multipliers could be included in the reference level adjustment requests for commitment cost bids that were based the suppliers "actual or expected costs. DMM's comments also highlighted how the CAISO had not justified the reasonableness of including the 25 percent adder in reference level adjustment requests for commitment cost bids that were based the suppliers "actual or expected costs."⁶

⁴ CAISO Tariff Appendix P, Section 1.2.

⁵ CAISO Tariff Appendix P, Section 5.1.

⁶ *Motion to Intervene and Comments of the Department of Market Monitoring*, ER19-2727-000. September 20, 2019, pp. 12 - 15.

<http://www.caiso.com/Documents/MotiontoInterveneandCommentsoftheDepartmentofMarketMonitoring-CCDEBE-ER19-2727-Sept202019.pdf>

During the stakeholder process to develop a revised proposal, the CAISO initially proposed allowing suppliers to include a 10 percent adder in reference level adjustment requests for commitment cost bids and Default Energy Bids based the suppliers “actual or expected costs.”⁷ The CAISO explained that the 10 percent adder would primarily be intended to cover “the potential variability in costs between when a supplier submits its estimated gas costs in its reference level change request and when it actually purchases gas.”

DMM did not object to this proposal, but indicated that DMM did not feel that analysis of available same day gas trade data would support inclusion of a 10 percent adder based on “the potential variability in costs between when a supplier submits its estimated gas costs in its reference level change request and when it actually purchases gas.”⁸ Therefore, DMM recommended that CAISO “may need to seek to justify the 10 percent adder largely or primarily as an adder that ensures a reasonable profit above marginal energy and commitment costs, while still providing a reasonable level of protection against market power and distortion of overall energy market clearing prices.”⁹

⁷ *Commitment Cost and Default Energy Bid Enhancements Resubmittal 2020 Market*, February 27, 2020, pp. 9-10. <http://www.caiso.com/InitiativeDocuments/Presentation-CommitmentCost-DefaultEnergyBidEnhancements-Feb272020.pdf>

⁸ *Comments on Commitment Costs and Default Energy Bid Enhancements: Revised Draft Tariff Language*, Department of Market Monitoring, March 27, 2020, pp. 2-3, 4-8. <http://www.caiso.com/InitiativeDocuments/DMMComments-CommitmentCosts-DefaultEnergyBidEnhancements-StakeholderBriefing-Mar19-2020.pdf>

⁹ *Comments on Commitment Cost and Default Energy Bid Enhancements: Revised Draft Tariff Language*, Department of Market Monitoring, February 20, 2020, p 4. <http://www.caiso.com/InitiativeDocuments/DMMComments-CommitmentCosts-DefaultEnergyBidEnhancements-RevisedDraftTariffLanguage.pdf>

The CAISO's final proposal would not allow suppliers to include any additional adder or multiplier to their estimated or actual costs when requesting reference level adjustments for commitment cost or Default Energy Bids. As explained in the transmittal letter:

The tariff revisions are consistent with the guidance the Commission provided in the First CCDEBE Order. Because the CAISO proposes to allow reference level adjustments based on actual or expected verifiable costs, the CAISO does not propose to include the commitment cost or default energy bid multipliers when calculating the revised reference levels. As discussed further below, the CAISO has found that it lacks sufficient evidence that actual gas transaction prices will vary from the actual or expected costs submitted in a reference level change request after it is approved.¹⁰

As part of the draft tariff language review stakeholder process, CAISIO also agreed to add the following clarifying language to the relevant tariff section (modifications from the CAISO's 2019 CCDEBE filing underlined for emphasis).

30.11.3 Automated Reference Level Change Requests

30.11.3.1 Applicability

The Scheduling Coordinator shall not submit a Reference Level Change Request for the purpose of inflating its Default Energy Bids or Default Commitment Cost Bids beyond what these values would be if calculated based on its actual or expected costs, without applying the Default Energy Bid Multiplier or Commitment Cost Multiplier.

With this modification, the tariff language more clearly reflects the description in the transmittal letter of the revised CAISO proposal. As noted in DMM's comments during the tariff review stakeholder process, the phrase "for the purpose of inflating its Default Energy Bids or Default Commitment Cost Bids" suggests that compliance with this provision hinges on the suppliers "intent" to "inflate" these bid caps. This suggests that section 30.11.3.1 might be viewed as a subjective behavioral market rule rather than a clear limit on reference level bids.¹¹ However, it is DMM's understanding that CAISO intends to implement this

¹⁰ Transmittal letter, pp. 26 – 27

¹¹ Comments, p.3.

tariff section as a clear objective limit on reference level bids used in the mitigation process. Thus, in light of these changes, DMM supports the proposed changes regarding reference level change requests in this filing.

Gas imbalance penalties

In prior comments, DMM has recommended that additional clarification or changes are needed by the CAISO with respect to how a supplier's estimate of any risk associated with gas supply limitations or pipeline imbalance charges should be treated when calculating bid caps or reasonableness thresholds.¹² In the final revised proposal filed with the Commission, CAISO provided clarification that market participants cannot include gas imbalance penalties in reference level change requests and may not request additional uplift payments associated with these penalties. As stated in the transmittal letter:

Further, suppliers may not submit reference level change requests to recover costs associated with gas company imbalance penalties. As the CAISO explained in the CCDEBE Deficiency Letter Response, such reference level change requests are inappropriate, because the fuel price indices the CAISO uses seem to be capturing the bulk of the costs associated with gas imbalance charges."¹³

As further explained in the transmittal letter:

During the stakeholder process preceding this tariff amendment, one stakeholder argued that the CAISO should reimburse resources for gas usage imbalance penalties after the fact. The CAISO did not adopt this recommendation, because doing so would provide a disincentive for suppliers to follow gas pipeline instructions. The Commission too has taken this position. In the 2016 Aliso Canyon Order, the Commission accepted the CAISO's tariff revisions on after-market cost recovery, on which the comparable tariff revisions proposed herein are modeled. In that order, the Commission rejected a

¹² *Motion to Intervene and Comments of the Department of Market Monitoring*, ER19-2727-000. September 20, 2019, pp. 16-18.

<http://www.caiso.com/Documents/MotiontoInterveneandCommentsoftheDepartmentofMarketMonitoring-CCDEBE-ER19-2727-Sept202019.pdf>

¹³ Transmittal letter, pp. 26-27.

commenter's argument that a resource that incurs gas imbalance penalties pursuant to a CAISO dispatch instruction should be entitled to recover them after-the-fact:¹⁴

As part of the draft tariff language review stakeholder process, CAISIO also agreed to add the following clarifying language to the relevant tariff sections (modifications from the CAISO's 2019 CCDEBE filing underlined for emphasis).

30.11.2 Reference Level Change Requests

30.11.2.1 Applicability

A Scheduling Coordinator may submit a Reference Level Change Request for Default Start-Up Bids, Default Minimum Load Bids, and Default Energy Bids, as applicable. Scheduling Coordinators may not submit Reference Level Change Requests for Bids by Non-Resource-Specific System Resources. Resources under the Registered Cost methodology are not eligible for Reference Level Change Requests for Default Minimum Load Bids or Default Start-Up Bids. Scheduling Coordinators may not submit Reference Level Change Requests to recover costs associated with gas company imbalance penalties.

30.12 After-CAISO Market Process Cost Recovery

30.12.1 Applicability

Scheduling Coordinators may request an additional uplift payment to cover a resource's actual fuel costs or fuel-equivalent costs associated with Start-Up Bid Costs, Minimum Load Bid Costs, Transition Bid Costs, and Energy Bid Costs used in the Bid Cost Recovery mechanism, and that are for amounts in a Reference Level Change Request that were not approved pursuant to Section 30.11. Scheduling Coordinators may not request additional uplift payments under this section to cover costs associated with gas company imbalance penalties.

In light of these clarifications and changes, DMM supports the proposed changes regarding reference level change requests in this filing.

¹⁴ Transmittal letter, p. 56

Settlement of Recoverable Amounts

DMM recommends that the ISO clarify proposed tariff section 30.12.4.3 to explicitly include all categories of settlement potentially limited by an inappropriately low reference level upon verification of a resource's actually incurred costs. In addition to Bid Cost Recovery, some Exceptional Dispatch energy is settled at Default Energy Bid reference levels. DMM recommends including this category of settlement for resettlement upon verification that the resource's incurred costs were not recovered, in addition to Bid Cost Recovery settlement already included in this section.

CONCLUSION

As explained in these comments, in light of the clarifications and modifications of the CCDEBE proposal made by the CAISO in this filing, DMM supports the proposed changes in this filing. DMM respectfully requests that the Commission afford due consideration to these comments as it evaluates the proposed tariff provisions before it.

Respectfully submitted,

/s/ Eric Hildebrandt

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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 30th day of July, 2020.

/s/ Candace M Cown

Candace M^cCown