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

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| **California Independent System Operator Corporation** | ) ) | **Docket No. ER19-2757-000** |

# 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 changes to its market rules to comply with the requirements the Federal Energy Regulatory Commission established in Order No. 831.[1] These changes include:

1. Increasing the power balance penalty price that sets the price when modeled supply is less than demand from $1,000/MWh to $2,000/MWh; and
2. Increasing the hard bid cap at which import resources can bid and set price in CAISO markets without any cost verification from $1,000/MWh to $2,000/MWh.

[1] *Filing to Comply with Order No. 831*, California Independent System Operator Corporation, Docket No. ER19-2757, September 5, 2019 ("Transmittal letter").

## 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. 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.[2]

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."[3] 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

### Overview

Shortly after Order 831 was issued, the CAISO indicated that it intended to develop the policy, tariff and process changes necessary for complying with Order 831 as part of its stakeholder initiative on Commitment Costs and Default Energy Bids Enhancements

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[2] CAISO Tariff Appendix P, Section 1.2.

[3] CAISO Tariff Appendix P, Section 5.1.

(CCDEBE).[4] The CAISO's CCDEBE proposal was approved by the CAISO Board in March 2018.[5]

In June 2018, the CAISO posted draft tariff language for its FERC Order 831 compliance filing. DMM and other stakeholders raised two key concerns about the draft compliance filing. First, the CAISO's draft Order 831 compliance filing increased the CAISO market's power balance constraint penalty price from $1,000/MWh to $2,000/MWh. In addition, the draft compliance filing increased the bid cap for imports from $1,000/MWh to $2,000/MWh without subjecting import bids over $1,000/MWh to any *ex ante* cost verification process. After receiving stakeholder comments on the draft tariff language of its June 2018 Order 831 compliance filing, the CAISO deferred its Order 831 compliance filing and indicated it would address both these issues in a future stakeholder process.

However, the tariff changes included in this compliance filing still include the tariff changes that effectuate the two provisions which CAISO has indicated it will review as part of a future stakeholder process. The tariff changes submitted to the Commission in this compliance filing would (1) increase the CAISO market's power balance constraint penalty price from $1,000/MWh to $2,000/MWh, and (2) raise the bid cap for imports from $1,000/MWh to a $2,000/MWh hard bid cap without subjecting these bids to any *ex ante* or *ex post* cost verification process.

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[4] *Commitment Costs and Default Energy Bid Enhancements Straw Proposal*, CAISO, June 20, 2017, p. 4: http://www.caiso.com/Documents/StrawProposal_CommitmentCosts_DefaultEnergyBidEnhancements.pdf.

[5] DMM did not support the 2018 CCDEBE proposal approved by the CAISO Board for numerous reasons, including DMM's view that the final 2018 CCDEBE proposal did not include sufficient details upon which to base a compliance filing on Order 831.

As explained in these comments, both these provisions are unjust, unreasonable and unnecessary for the CAISO to comply with Order 831. Although the CAISO has indicated it will consider changes to these provisions through a separate stakeholder process, there is no assurance that these two issues will be effectively addressed in any future Section 205 filing by the CAISO or that any such filing will be approved by the Commission. Thus, the proposed tariff changes in this filing must be justified without any assumption of any modifications that may be proposed by the CAISO in a future filing.

In addition, DMM finds the CAISO's proposed tariff revisions regarding verification and recovery of Minimum Load Cost Bids unclear. For example, the CAISO's compliance filing establishes a new $2,000/MWh hard cap on Minimum Load Bid Costs, but also appears to allow suppliers to seek cost verification and/or cost recovery of Minimum Load Bid Costs in excess of the new $2,000/MWh hard cap.

DMM also finds new tariff provisions unclear with respect to whether any cost verification or cost recovery of these Minimum Load Bid Costs is limited to a resource's "actual fuel costs" or if the CAISO is proposing to allow suppliers to include a 25% adder on top of the supplier's own reported actual fuel costs. If the CAISO intends to allow inclusion of the current 25% adder on top of cost-based bids submitted by suppliers, the CAISO has not justified why it is just and reasonable to include this 25% adder in commitment cost bids which already include suppliers' own estimates of their actual or expected costs.

**CAISO should maintain the power balance penalty price at $1,000/MWh until it is able to complete its planned stakeholder initiative and file a just and reasonable tariff amendment to address this issue.**

The CAISO indicates that it intends to base much of its policy for complying with Order 831 on its pending CCDEBE tariff filing which was filed with the Commission on August 30, 2019. In the CAISO's CCDEBE initiative, CAISO proposed to increase the CAISO market's power balance constraint relaxation prices to be "consistent with the $2,000/MWh hard energy bid cap."[6] DMM and other stakeholders interpreted this to mean the CAISO was proposing to increase the power balance penalty price from $1,000/MWh to $2,000/MWh.

In response to stakeholder concerns about this proposal, the CAISO indicated it would address this issue in a future stakeholder process. As the CAISO explains in its transmittal letter:

> In the stakeholder process leading up to the filing of the CCDEBE Tariff Amendment, the CAISO proposed to increase the CAISO market's power balance constraint relaxation prices to be consistent with the $2,000/MWh hard energy bid cap. Stakeholders raised concerns that the proposed parameters may trigger unnecessary high prices in the CAISO markets, including the Energy Imbalance Market.[7]

The CAISO's transmittal letter goes on to indicate that:

> The CAISO plans to conduct another stakeholder process to address this issue and, pursuant to the Commission's general guidance, to submit a separate tariff amendment pursuant to Section 205 of the FPA to make any changes to the administratively set penalty parameters listed in the CAISO tariff.[8]

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[6] Transmittal letter, p. 20.

[7] Transmittal letter, p. 20.

[8] Transmittal letter, p. 21.

However, the tariff changes CAISO is proposing in this compliance filing would change the power balance penalty price from $1,000/MWh to $2,000/MWh. Sections 27.4.3.3 and 27.4.3.4 of the current CAISO tariff state that the pricing parameter is the "maximum Energy Bid price specified in Section 39.6.1.1."[9] The CAISO is not proposing any changes to these tariff sections (27.4.3.3 and 27.4.3.4) as part of its CCDEBE filing or this compliance filing. However, this compliance filing includes a modification to Section 39.6.1.1., which changes the power balance penalty price from $1,000/MWh to $2,000/MWh, as described below.

In this filing, CAISO proposes to delete the sentence in section 39.6.1.1 which currently defines the "maximum Energy Bid price" as $1,000/MWh.[10] CAISO also proposes to add three new subsections to 39.6.1.1, which include subsection 39.6.1.1.1 (Soft Energy Bid Caps) and 39.6.1.1.2 (Hard Energy Bid Cap). [11] In the subsection on the Hard Energy Bid Cap (39.6.1.1.2), CAISO proposes that "[a]ll Energy Bids are subject to the Hard Energy Bid Cap." [12] CAISO also proposes to add the *Hard Energy Bid Cap* as a new defined term in Appendix A of the tariff as follows:[13]

> **Hard Energy Bid Cap**
> The maximum Energy Bid Price the CAISO will use for purposes of clearing the CAISO Market Processes. The Hard Energy Bid Cap is $2,000/MWh.

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[9] *California Independent System Operator Corporation Fifth Replacement Electronic Tariff—Section 27 – California ISO Markets and Processes as of August 12, 2019*, Sections 27.4.3.3 and 27.4.3.4, p. 14: http://www.caiso.com/Documents/Section27-CAISOMarkets-Processes-asof-Aug12-2019.pdf.

[10] Transmittal letter Attachment B – Marked Tariff, p. 7.

[11] Transmittal letter Attachment B – Marked Tariff, pp. 7-8.

[12] Transmittal letter Attachment B – Marked Tariff, p.8.

[13] Transmittal letter Attachment B – Marked Tariff, Appendix A, Master Definition Supplement, p.10.

Therefore, given the proposed tariff changes cited above, the “maximum Energy Bid Price specified in Section 39.6.1.1” is $2,000 per MWh. The combined impact of these proposed changes to the tariff is that Sections 27.4.3.3 and 27.4.3.4 would now define the penalty price as $2,000/MWh rather than $1,000/MWh.

Although CAISO states that it plans to conduct another stakeholder process to consider modifying these penalty price provisions, acceptance of this compliance filing would change the power balance penalty price to $2,000/MWh. The penalty price would remain at $2,000/MWh unless and until the CAISO changes this through a separate tariff filing that is approved by the Commission.

DMM opposes CAISO’s proposal in this filing to raise the power balance penalty price from $1,000/MWh to $2,000/MWh. CAISO has not justified this proposal and this change is not required to comply with Order 831. DMM believes this is an unjust and unreasonable adjustment to a parameter that is extremely important in setting CAISO and energy imbalance market (EIM) prices. The power balance penalty price is used to set prices during intervals when modeled supply is insufficient to meet CAISO’s real-time demand forecast or day-ahead market self-scheduled demand and the load conformance or other limiters are not applied.

Order 831 specifies that energy offers in excess of $1,000/MWh must be cost justified in order to be just and reasonable. DMM expects cost justified offers over $1,000/MWh to be extremely rare. Therefore, it would be inappropriate to set the power balance penalty price at $2,000/MWh during the vast majority of intervals in which there are no cost-justified energy offers over $1,000/MWh.

Several EIM entities have already explained this point in joint comments submitted to CAISO on CAISO's draft tariff language. As explained by these EIM entities:

> In accordance with Order No. 831, however, any supply offer above the current energy bid cap of $1,000/MWh will require cost-based justification to be just and reasonable. Without this factual demonstration, the energy bid cap remains at $1,000/MWh. Nevertheless, the CAISO proposes to use $2,000/MWh as the power balance constraint penalty price in all hours, omitting the cost-based justification. As explained below, the CAISO's proposal fails to withstand scrutiny. The current $1,000/MWh power balance constraint parameter penalty price should be retained, at least for the overwhelming majority of intervals where there is no cost-justified bid above $1,000/MWh.[14]

Moreover, as noted by these EIM entities, Order 831 does not require an ISO to increase its power balance penalty price to $2,000/MWh.[15] Based on discussions of the technical details of CAISO's optimization with other stakeholders, DMM believes that there are other feasible ways for CAISO to comply with Order 831 without raising the power balance penalty price above $1,000/MWh during hours in which there are no cost-justified energy offers over $1,000/MWh. Thus, CAISO should maintain its penalty price at $1,000/MWh until it is able to complete its planned stakeholder initiative and file a just and reasonable tariff amendment to address this issue.

**The CAISO's compliance filing would create a $2,000/MWh hard cap for import bids into the CAISO while the rest of the WECC would remain subject to a $1,000/MWh soft cap.**

If approved, the CAISO compliance filing would establish a $2,000/MWh hard cap for import bids into the CAISO from other parts of the Western Electricity Coordinating Council (WECC) outside of the CAISO.[16] The CAISO's filing would not establish a

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[14] *Joint Party Comments on Commitment Costs and Default Energy Bid Draft Tariff Language*, May 28, 2019, pp. 1-2: http://www.caiso.com/Documents/JointPartiesComments-CommitmentCostsandDefaultEnergyBidEnhancements-DraftTariffLanguage.pdf.

[15] EIM Joint Party draft tariff comments, p. 7.

[16] See Section 30.7.12.5 of Transmittal letter Attachment B – Marked Tariff, p. 3.

$1,000/MWh soft cap for import bids into the CAISO.[17] However, DMM understands that there is currently a $1,000/MWh soft cap for bids in all other parts of the WECC under the Commissions October 2010 Order.[18] Thus, the CAISO's filing would create a $2,000/MWh hard cap for imports bid into the CAISO from other balancing areas, while all other parts of the WECC would remain under the Commission's $1,000/MWh soft cap.

The Commission has previously found that such an inconsistency between bid caps in the CAISO and bid caps in the rest of the WECC is unjust and unreasonable. As summarized in the Commission's October 2010 Order:[19]

> The Commission has determined in prior orders that "California is an integral part of a trade and reliability region in the West. Because of this interdependency of market and infrastructure, conditions in and changes to the California market affect the entire region."[20] The Commission has further found that given this interdependency, it is unjust and unreasonable to have inconsistent bid caps in the CAISO and the rest of the WECC.[21] [Emphasis added]

The Commission's October 2010 Order went on to explain that:

> The commenters in this proceeding all agree that consistency in the level of caps in the CAISO and the WECC outside of CAISO is important in avoiding market distortions. In addition, parties support, or do not object to, a soft cap. Accordingly, pursuant to our authority under section 206 of the FPA, we hereby find that the energy price cap for spot market sales in the WECC outside of the CAISO established by the February 2006 Order is no longer just and reasonable, and we find that the just and reasonable price cap is a $750/MWh soft cap. …. to maintain consistency between the CAISO bid cap and the WECC price cap for the reasons stated above, we also establish that with the increase in the CAISO energy bid cap,

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[17] See Section 30.7.12.1 of Transmittal letter Attachment B – Marked Tariff, p. 3.

[18] *Order on Section 206 Investigation into West-wide Price Cap*, 133 FERC ¶ 61,026, Docket No. EL10-56, October 8, 2010 (October 2010 Order).

[19] October 2010 Order, at P 14.

[20] *Cal. Indep. Sys. Operator Corp.*, 100 FERC ¶ 61,060, *order on reh'g*, 101 FERC ¶ 61,061, July 2002, at P 2 (July 2002 Order).

[21] *Cal. Indep. Sys. Operator Corp.,* 114 FERC ¶ 61,026, 2006 (January 2006 Order).

the soft price cap in the WECC outside of the CAISO will also increase to $1000/MWh effective April 1, 2011.[22] [Emphasis added]

As explained in the Commission's October 2010 Order, the WECC bid cap "is a 'soft' cap' and that bids above the cap will be subject to justification and refund, which must be filed within seven days after the end of the month in which the excess sale occurred."[23] The October 2010 Order also noted that:

> To the extent we are presented with a proposal to adjust the CAISO energy bid cap in the future, or if the Commission initiates a proceeding to address CAISO's energy bid cap, we will consider the need to adjust the WECC price cap based on the facts before us at the time.[24]

Finally, the Commission noted that:

> We also decline to consider Financial Group's suggestion to eliminate the West-wide price cap altogether. Eliminating the price cap in the WECC outside of the CAISO while bid caps remain in the CAISO market only exacerbates the asymmetry in the caps that we are addressing in this proceeding.[25]

The CAISO noted the potential for conflict between bid caps for the CAISO and the bid caps currently in effect in all other parts of the WECC in its comments on the Commission's January 2016 NOPR which lead to Order 831. As noted the by the CAISO:

> .. the CAISO believes the Western Electric Coordinating Council (WECC), outside of the CAISO market, continues to be under $1000/MWh bid cap, which became effective April 1, 2011. The NOPR only applies to ISO and RTO markets. The Commission must address how it believes the soft-cap in the CAISO market would work in the context of the overall $1000/MWh bid cap in the WECC.[26]

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[22] October 2010 Order, at P 14-15.

[23] October 2010 Order, at P 2.

[24] October 2010 Order, at P 17.

[25] October 2010 Order, at P 16.

[26] *Comments of the California Independent System Operator*, RM16-5-00, April 4, 2016, http://www.caiso.com/Documents/Apr4_2016_CaliforniaISO_Comments_Notice_ProposedRulemaking_PriceCaps_ISO-RTOMarkets_RM16-5.pdf

The Commission addressed this issue in Order 831 as follows:

> With respect to comments regarding the WECC offer cap, we find that this issue is unique to CAISO, and if CAISO finds that this Final Rule raises seams issues with WECC, it may raise such issues elsewhere.[27]

The potential market distortions resulting from the asymmetry in a $2,000/MWh hard cap for import bids into the CAISO and the $1,000/MWh soft cap for bids in all other parts of the WECC have become even more likely and problematic due to the emergence of the energy imbalance market (EIM) in the west. The CAISO projects that the EIM will incorporate about three-fourths of peak load in the Western Interconnection within the next few years. The EIM further increases the interdependency of market and infrastructure in the CAISO and the rest of the WECC.

For example, prices in the EIM balancing areas are directly linked to prices in the CAISO's real-time market, so that prices set by any bids for imports into the CAISO over $1,000/MWh may directly set or impact prices in EIM balancing areas. In addition, a supplier with generation within an EIM balancing area would presumably face a $1,000/MWh soft cap for bids within the EIM area, but would face a $2,000/MWh hard cap for energy that is exported from the EIM and then offered as an import into the CAISO's real time market.

The CAISO and the Commission can resolve the inconsistency between the CAISO's proposed $2,000/MWh hard cap for imports and the Commission's $1,000/MWh soft cap for all other areas in the WECC by implementing a $1,000/MWh soft cap for imports into the CAISO. However, the CAISO has not yet developed or submitted any such

[27] *Offer Caps in Markets Operated by Regional Transmission Organizations and Independent System Operators*, Order No. 831, 157 FERC ¶ 61,115, at P 41 (Order No. 831).

modification. Instead, the CAISO's compliance filing would establish a $2,000/MWh hard cap on import bids into the CAISO that would be effective in fall 2020 absent approval by the Commission of any further tariff modifications.

**CAISO should clarify its proposal for verification and recovery of Minimum Load Cost Bids above the $2,000/MWh hard cap**

The CAISO's Order 831 compliance filing establishes a maximum $2,000/MWh hard cap on Minimum Load Cost Bids submitted by suppliers within the CAISO. In Appendix A of the tariff, CAISO proposes to establish the Minimum Load Cost Hard Cap as a new defined term which is set at $2,000/MWh.[28] The CAISO's filing also includes a new section (39.6.1.1.3) which states:

> **39.6.1.1.3 Minimum Load Cost Hard Cap**
>
> All Minimum Load Bids must not exceed the Minimum Load Cost Hard Cap. Scheduling Coordinators may submit Minimum Load Bid prices in excess of the Minimum Load Cost Hard Cap, which the CAISO will cost-verify pursuant to the rules specified in Section 30.11.[29]

The definition above is contradictory. The first sentence indicates that "<u>All Minimum Load Bids must not exceed the Minimum Load Cost Hard Cap</u>." But the second sentence indicates that "Scheduling Coordinators <u>may submit Minimum Load Bid prices in excess of the Minimum Load Cost Hard Cap</u>." DMM requests that the CAISO resolve this apparent contradiction.

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[28] Transmittal letter Attachment B—Marked Tariff, p. 10.

[29] Transmittal letter Attachment B—Marked Tariff, p. 8.

The CAISO's CCDEBE and Order 831 filings also include a new section 30.12, which reads as follows:

> **30.12 After-CAISO Market Process Cost Recovery**
>
> **30.12.1 Applicability**
>
> <u>Scheduling Coordinators may request an additional uplift payment to cover a resource's actual fuel costs</u> or fuel-equivalent costs associated with Start-Up Bid Costs, <u>Minimum Load Bid Costs</u>, Transition Bid Costs, and Energy Bid Costs used in the Bid Cost Recovery mechanism, and that are for:
>
> (a) amounts in a Reference Level Change Request that were not approved pursuant to Section 30.11; or
>
> (b) <u>amounts in a Reference Level Change Request</u> for a Default Energy Bid or Default Minimum Load Bid <u>that exceeds</u> the Hard Energy Bid Cap or <u>the Minimum Load Cost Hard</u> Cap, respectively.[30] [Emphasis added]

DMM also finds these new tariff provisions unclear with respect to the verification and recovery of any Minimum Load Cost Bids in excess of the new $2,000/MWh Minimum Load Cost Hard Cap. For example, Section 30.12.1 appears to limit *ex post* cost recovery for Minimum Load Cost Bids (and Energy Bid Costs) to the "actual fuel costs" gas-fired units. However, DMM's understanding is that CAISO is proposing to allow suppliers to include a 25% adder on top of the supplier's *actual or expected costs* when requesting verification and/or *ex post* recovery of Minimum Load Cost Bid adjustments.

Thus, the CAISO should clarify how it is proposing to allow suppliers to include any adders above their *actual or expected costs* when requesting Minimum Load Cost Bid adjustments. In addition, the CAISO should clarify if a 25% bid adder can be included in Minimum Load Bid Cost adjustment requests in excess of the $2,000/MWh

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[30] Transmittal letter Attachment B—Marked Tariff, p. 5.

Minimum Load Cost Hard Cap and, if so, whether this 25% adder is eligible for *ex post* verification and cost recovery under section 30.12.1.

**The CAISO has not justified including the current 25% adder in Minimum Load Cost Bid requests calculated from supplier-determined fuel costs.**

As described above, DMM requests that the CAISO clarify if the current 25% adder used in calculating resource specific bid caps can be included in Minimum Load Cost Bid adjustment requests in excess of the $2,000/MWh Minimum Load Cost Hard Cap and, if so, whether the 25% adder is eligible to be included in the verification and cost recovery provisions in 30.12.1. If CAISO intends that the current 25% adder applied to commitment cost bid caps is eligible for inclusion in minimum load bid adjustment requests and *ex post* cost recovery, DMM does not believe the CAISO has justified inclusion of this 25% adder when bids are based on supplier's own reported *actual or expected* fuel costs.

As explained in DMM's comments during the CCDEBE stakeholder process, DMM continues to question the need for applying the current 25% adder above cost (or *headroom scalar*) to commitment cost bid caps and reference level bids that are based on gas costs submitted by generators.[31] Neither the CAISO's CCDEBE filing (in ER19-2727) nor the current Order 831 filing provides justification for why reference bids should include the 25% headroom scalar when these reference bids are based on

[31] *Comments on Revised Draft Final Proposal for Commitment Cost and Default Energy Bid Enhancements,* Department of Market Monitoring, February 28, 2018, pp. 11-13. http://www.caiso.com/Documents/DMMComments-CommitmentCostsandDefaultEnergyBidEnhancementsRevisedDraftFinalProposal.pdf.

supplier's own estimate of actual or expected gas costs. On the contrary, the CAISO's CCDEBE tariff filing explains that:

> The CAISO based the 125 percent proxy cost bid cap [i.e. 25 % headroom scalar] on its analysis related to intra-day gas purchasing costs showing that some bidding headroom is appropriate to allow resources to recover costs associated with day-over-day and intra-day gas price volatility, but that a higher cap is not necessary given the relative rarity of gas price increases greater than 25 percent.[32]

Meanwhile, the CAISO's revised draft final CCDEBE proposal includes a passage contending that the 10% and 25% headroom scalars were intended to cover unspecified "incidental costs" not covered in the ISO's estimate of total commitment and energy costs. In the revised draft final CCDEBE proposal, the CAISO acknowledges that a 10% headroom scalar would be sufficient for these unspecified "incidental costs":

> Currently the California ISO has a cost-based cap on commitment cost bids of 125% of commitment cost reference levels that is intended to account for both incidental costs not included in the estimate and fuel price volatility. <u>Since fuel price volatility under the approach described in this proposal will be accounted for by suppliers requesting reference level adjustments, a 110% commitment cost headroom scaler, the same as for energy cost reference levels, will be more appropriate</u>.[33] [Emphasis added]

The CAISO's revised draft final CCDEBE proposal included a provision to lower the 25% scalar from 25% to 10% after 18 months, but initially kept the scalar at 25% since "mitigating to reference levels that only include a 110% headroom scalar would make

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[32] *Tariff Amendment to Enhance Commitment Cost and Default Energy Bid Provisions*, California Independent System Operator Corporation, Docket No. ER19-2727, August 30, 2019, pp. 7-8. These 10 percent and 25 percent headroom scalars are applied to all components of energy and commitment cost bids – including fuel and non-fuel components. Thus, the unit's actual gas costs must actually be more than 10% or 25% greater than the gas index used by the CAISO for the unit's actual costs to exceed its default energy bid or commitment cost bid cap.

[33] *Commitment Cost and Default Energy Bid Enhancements (CCDEBE) Second Revised Draft Final Proposal*, CAISO, March 2, 2018, p. 33: http://www.caiso.com/Documents/SecondRevisedDraftFinalProposal-CommitmentCosts-DefaultEnergyBidEnhancements.pdf.

resources worse off than the current approach."[34] DMM does not believe that the CAISO's goal of ensuring that resources are not "worse off than the current approach" provides sufficient justification for inclusion of this 25% adder when bid costs are based on supplier's own reported *actual or expected* fuel costs.

## III. CONCLUSION

DMM believes that the CAISO's proposed tariff revisions to implement Order 831 should be modified and clarified as explained in these comments. 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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Dated: September 26, 2019

[34] Second revised draft final CCDEBE proposal, p. 33.

## 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 26th day of September, 2019.

/s/ Anna Pascuzzo
Anna Pascuzzo