



Comments of Pacific Gas & Electric Company Local Market Power Mitigation Enhancements 2018 – Revised Draft Final Proposal

| Submitted by | Company | Date Submitted |
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| Jared Rist (415-973-3764) | Pacific Gas & Electric | February 8, 2019 |

Pacific Gas and Electric Company (PG&E) offers the following comments on the California Independent System Operator’s (CAISO) Local Market Power Mitigation Enhancements 2018 Draft Final Proposal.

PG&E recognizes the importance that Market Power Mitigations plays to ensure a competitive market and an efficient dispatch of resources. Too little mitigation in the market allows suppliers to exert market power, dictating prices that do not reflect a competitive market outcome. Conversely, when mitigation is over used, some resources may be mitigated down and forced to dispatch energy at a default energy bid (DEB) that (at times) does not accurately reflect their opportunity cost. This causes an inefficient and suboptimal market outcome.

PG&E appreciates many of the changes the CAISO has addressed in this initiative particularly related to creating more accurate default energy bids, by providing a new process for hydro resources and by updating reasonableness thresholds with same day gas prices for gas resources. PG&E ask the CAISO to consider the extent of the benefits from fixing economic displacement versus the costs. The benefits in preventing inefficient dispatch of resources should be greatly reduced by adding the new hydro DEB option and updating same day gas prices for gas resource DEBs. Potential costs to solving economic displacement are shown in Example C of the draft final proposal where load increases in the importing BAA and as a result of limiting the transfer capabilities between the two BAAs, a much more expensive resource is dispatched, and a cheaper resource is not turned on. This situation may be combined with other unintended consequences resulting from different constraints and conditions modeled in different market runs. We ask just to consider if the benefits of limiting transfers are worth the potential problems.

Additionally, PG&E would like to ask for confirmation from the CAISO that a resource can retain use-limited status if the resource selects the new hydro DEB option for that resource.