



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

Submitted by	Company	Date Submitted
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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 Straw Proposal.

PG&E recognizes the importance that Markey 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.

The root cause of this over-mitigation and inefficient market outcome that can force generators to forgo greater opportunity costs and produce at a loss is a practical inability to reflect true marginal cost of use-limited resources. Designing a methodology to calculate marginal cost for all resources in all areas across as broad a geographic region as now covered in the CAISO/EIM is difficult and will likely involve tradeoffs when considering a solution that is implementable. While a perfect default energy bid that reflected the true marginal cost of energy for a specific resource would be the most direct way to solve the issues mentioned about economic displacement and flow reversal, we understand that this would be very contentious and difficult to accomplish.

The problem with accurately calculating marginal cost for units, particularly use-limited resources, is a problem that affects all resources participating in the market and should be addressed holistically. A use-limited resource internal to the CAISO can be mitigated down to a DEB that forces it to produce an inefficient quantity in the same manner as occurs for EIM resources. PG&E feels the burden for creating separate mitigation schemes for internal and external resources ought to be high and that, at least in the initial issue paper, this burden has not been met.

We look forward to discussing more on this topic at the working group meeting on Oct. 10th to better understand this issue and come up with the most equitable solution.