



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

<b>Submitted by</b>	<b>Company</b>	<b>Date Submitted</b>
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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 Revised 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.

PG&E appreciates many of the changes the CAISO has addressed in this initiative. In particular PG&E was pleased that the CAISO decided to extend the new hydro DEB option to CAISO resources in addition to the EIM hydro units. This is an important step in assuring consistency of market rules, and that all hydro units are able to be dispatched economically.

In order to fully understand the implementation of CAISO’s proposal, PG&E requests the CAISO provide specific examples of hydro DEB options. It would be very helpful if the CAISO could provide a table that shows the following three columns: hydro default energy bid options, what characteristics qualify a resource for that option, and what documentation a resource needs to show to prove it has those characteristics. With multiple options available to hydro resources to choose from, it would be helpful to get clarity on which ones might be most appropriate for the various hydro resources.

With regards to the scalar on the DEB, PG&E recognizes there may be a need to add a scalar after consideration of DA indices at different times and locations. In calculating this scalar the CAISO used a metric based on historic data to identify a scalar that would result in efficient dispatch 95% of the time. When conducting it appears that the CAISO assumed that the resource was mitigated in all hours. By considering mitigation in all hours rather than say 60% of the hours, CAISO’s analysis will increase the number of hours the units are inefficiently dispatched in the analysis and thus increases the scalar that is needed to ensure efficient dispatch 95% of the time. It may be more appropriate to apply an assumption about the frequency of mitigation based on the historic mitigation of a specific resource.

Additionally, PG&E is uncertain whether there is a significant need to fix economic displacement if there is a significant improvement to the DEB calculation for hydro and reference level adjustments for gas resources through this initiative. Increasing a DEB may eliminate the economic displacement, which would fix this issue without creating potential unintended consequences from returning congestion rents to the source EIM balancing authority area when economic displacement is being resolved. PG&E also requests CAISO provide additional analysis on the implications of the congestion rent being returned to the source EIM balancing authority area when economic displacement is being resolved, given the interaction between increasing DEBs and the potential for economic displacement.