



May 12, 2023

California Independent System Operator Corporation (“CAISO”) Board of Governors

Mary Leslie, Chair
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Western Energy Imbalance Market Governing Body (“WEIMGB”)

Robert Kondziolka, Chair
Jennifer Gardner, Vice-Chair
Andrew Campbell
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Dear CAISO Board of Governors and WEIMGB members:

Middle River Power LLC (“MRP”) owns approximately 1,800 MW of conventional generating capacity and has developed solar and battery energy storage systems and is currently developing battery energy storage systems within the bulk power system operated by the CAISO. MRP participates actively in many CAISO stakeholder initiatives, including the Day-Ahead Market Enhancements (“DAME”) Initiative, which was launched in 2019.

MRP strongly supports the CAISO’s proposal to acquire through day-ahead market products the operational flexibility it needs to address the growing uncertainty associated with load, wind and solar resources under the CAISO’s operational control. Acquiring this needed operational capability through competitively-procured market products instead of through opaque operator actions better aligns with the CAISO’s core mission – and one-time vision statement – of providing reliability through markets.

MRP, however, cannot support the CAISO’s proposal to impose a \$55/MWh offer cap on the new Imbalance Reserve product. Per Section 39.6.1.3 of the CAISO Tariff, the offer cap on the CAISO’s current ancillary service products is \$250/MWh. Given that the proposed new product is analogous to the existing ancillary service products, the CAISO should apply to these new products the same offer caps that apply to the CAISO’s existing ancillary service products. Applying a much lower offer cap to the new product amounts to imposing system-wide market power mitigation on a product for which the potential to exercise system market power has not yet been established through rigorous analysis. Moreover, if the CAISO stops procuring Imbalance Reserve at \$55/MWh, the CAISO has stated that its operators will secure the operational capability they need through out-of-market actions, recreating the very problem that the CAISO is trying to alleviate through this product.

MRP is also greatly concerned by the process through which this \$55/MWh offer cap was transformed from a default availability bid that applied to Imbalance Reserve only as part of the local market power mitigation for non-competitive constraints to a full-time offer cap for this product. The CAISO made this change on April 19, 2023 at the very end of a four-year stakeholder process – a process that heretofore had been noteworthy for its thorough discussion and consideration of all design issues. In fact, the CAISO made several substantive

changes to the DAME design at the end of the initiative without providing for the robust and measured deliberation that the CAISO had previously provided.

MRP believes that, given the substantial number of last-minute changes to the proposal and the addition of many “tunable” parameters that must be specified prior to implementation, the proposal could greatly benefit from additional CAISO and stakeholder consideration. MRP also understands that the CAISO intends to seek approval of the DAME design at the May 17 joint meeting, so any additional consideration would take place after that approval.

In sum, if the Board of Governors and WEIMGB believe it is necessary to approve the DAME proposal at its May 17 meeting, MRP respectfully requests the Board and WEIMGB reject the proposed \$55/MWh offer cap and adopt the CAISO-standard \$250/MWh offer cap for the imbalance reserve product. MRP also respectfully urges the Board and WEIMGB to require the CAISO develop robust and transparent processes to set and modify the tunable parameters prior to submitting implementing Tariff language to FERC.

MRP appreciates the opportunity to offer these comments.

Sincerely,

A handwritten signature in blue ink, appearing to read "B. Theaker", with a long, sweeping horizontal stroke extending to the right.

Brian Theaker
Vice President Regulatory and Market Affairs
Middle River Power LLC
4350 Executive Drive, Suite 320
San Diego, California 92121