

# **Comments of Seattle City Light on CAISO's Requirements for Import Bids Greater than \$1,000/MWh Issue Paper and Straw Proposal**

<b>Submitted by</b>	<b>Company</b>	<b>Date Submitted</b>
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Seattle City Light (Seattle) is the tenth largest consumer owned electric utility in the nation, providing electrical service to more than 450,000 residential, commercial, and industrial customers in the City of Seattle, Washington and six adjacent cities. Seattle owns and operates hydroelectric resources with approximately 2,000 MW of flexible, fast-ramping capacity. We regularly transact in the bilateral wholesale energy and transmission markets. Seattle executed an Implementation Agreement with the California Independent System Operator (CAISO) and intends to begin participating in the Western Energy Imbalance Market (EIM) in April 2020.

Seattle appreciates the opportunity to comment on CAISO's Requirements for Import Bids Greater than \$1,000/MWh Issue Paper and Straw Proposal. As CAISO explains in the issue paper/straw proposal, FERC Order 831 raised the energy offer cap for ISO's/RTO's from \$1,000/MWh to \$2,000/MWh and required internal suppliers to submit offers above \$1,000/MWh on verifiable costs that reflect a resource's short run marginal costs. FERC did not require cost verification for import offers but was open to individual ISO's/RTO's developing and justifying their own requirements for import offers above \$1,000 MWh. CAISO did not originally opt to create such rules for imports, however, it is now revisiting this in light of the potential for system-level uncompetitive conditions in the CAISO BAA. CAISO proposes that cost-verification be extended to import offers above \$1,000/MWh to ensure underlying actual or expected short-run marginal costs are based on verifiable information and to safeguard against a supplier exerting market power by bidding above its marginal costs.

Seattle appreciates the intent of CAISO's proposal and is supportive of robust measures that prevent the exercise of market power, however, in this instance we believe CAISO's proposal to ensure import offers above \$1,000 MWh are subject to cost verification is unnecessary and could have the unintended consequence of reducing imports into the CAISO BAA during times when they are most needed.

CAISO's proposal to subject imports to cost verification presumes that system market power exists in the CAISO BAA. However, this is still under review by CAISO in the system market power mitigation analysis, and as of today CAISO has not proposed a system market power mitigation framework. Until it is determined that system-level uncompetitive conditions in the CAISO BAA exist and a mitigation framework is designed to address this, we believe it is premature to set up cost-verification requirements for imports over \$1,000 MWh.

We also believe this proposal could result in CAISO receiving less imports when it needs them the most because external resources do not have easily verifiable marginal costs. This is especially relevant and important in circumstances during tight supply conditions and periods of scarcity pricing in the CAISO BAA. In this instance, an importer is making a subjective decision, based on its risk tolerance and many other competing factors that are not easily verifiable. For hydro resources, the decision to sell at these prices includes additional considerations such as the probability of refilling reservoirs and the ability to provide adequate flows for fish. If an external resource is not able to verify its costs it may reasonably choose not to sell into the CAISO BAA.

In addition, we note that the issue/paper straw proposal as written, does not provide clear guidance on how cost verification would be documented for non-thermal resources that do not have fuel prices such as hydroelectric resources. On the May 16 stakeholder call, CAISO indicated that hydro resources that have short-run marginal costs that are based off opportunity costs could verify these opportunity costs, and this would provide the required cost verification. As discussed above, Seattle does not believe it is appropriate today to require imports to verify costs over \$1,000/MWh. However, were CAISO to require this, Seattle requests that CAISO provide detailed and clear guidance on how to document costs for hydro resources.

Seattle appreciates the opportunity to provide comments. If you have any questions, please contact Lea Fisher at 206-386-4546 or [Lea.Fisher@seattle.gov](mailto:Lea.Fisher@seattle.gov).