



**Stakeholder Comments Template**

**System Market Power Analysis – Work Shop**

This template has been created for submission of stakeholder comments on the System-Level Market Power Analysis - Workshop that was held on July 15, 2019. The workshop, stakeholder meeting presentations, and other information related to this initiative may be found on the initiative webpage at:

<http://www.caiso.com/informed/Pages/MeetingsEvents/MiscellaneousStakeholderMeetings/Default.aspx>

Upon completion of this template, please submit it to [initiativecomments@caiso.com](mailto:initiativecomments@caiso.com). Submissions are requested by close of business on **August 5, 2019**.

Submitted by	Organization	Date Submitted
<i>Lea Fisher (206) 386-4546</i>	<i>Seattle City Light</i>	<i>August 5, 2019</i>

**Please provide your organization’s comments on the following issues and questions.**

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 provide comment on CAISO’s System Level Market Power Analysis workshop held on July 15, 2019. As explained in more detail in the below comments, Seattle supports CAISO continuing to explore solutions to address tight supply conditions including enhancing market scarcity pricing provisions, addressing gaps in the current resource adequacy framework and exploring increased LSE fixed-price forward energy contracting and hedging. Seattle does not support CAISO moving forward to develop a system-level market power mitigation process at this time. The analysis CAISO has presented to-date does not demonstrate that the conditions that have given rise to the small number of hours that the CAISO BAA is not competitive at the system level are caused by high supplier concentration and would result in the exercise of market

## System Market Power Analysis – Work Shop

power. What has been demonstrated is a consistent lack of adequate supply in the market with high priced periods associated with these conditions. Seattle therefore believes CAISO should direct its efforts toward addressing the causes and developing solutions for the persistent lack of adequate supply in the market. Further, the myriad complexities and potential unintended consequences shared by CAISO at the July 15 workshop associated with developing a system-level market power mitigation framework caution against jumping into such an effort without adequate evidence that the conditions needed to exert market power exist.

### 1. Resource adequacy provisions and bilateral capacity contracting

Please provide your organization's feedback on the *resource adequacy provisions and bilateral capacity contracting* topic. Please explain your rationale and include examples if applicable.

Seattle supports CAISO exploring changes to its RA program and bilateral capacity contracting. CAISO's analysis shows that the structural test failures generally occur when supply is extremely tight and the highest prices occur during tight supply conditions. This is a clear indication of scarcity conditions and associated scarcity pricing. Scarcity signals are an essential part of a well-functioning market and should not be blunted or mistaken for conditions that would need to exist to exercise market power. However, the increase in scarcity conditions coupled with the CAISO being short in RA supply points to a need for RA reform to address why there is a lack of adequate supply in the market.

### 2. Load-serving entity energy procurement and hedging

Please provide your organization's feedback on the *load-serving entity energy procurement and hedging* topic. Please explain your rationale and include examples if applicable.

Seattle believes exploring fixed price energy contracts as a way to hedge load and diminish incentives to exert market power merits further exploration. Seattle would like to see more detail and examples of how this could diminish incentives to exert market power.

### 3. System-level market power mitigation process

Please provide your organization's feedback on the *system-level market power mitigation process* topic. Please explain your rationale and include examples if applicable.

Seattle does not support CAISO developing a system-level market power mitigation process. We do not believe the evidence presented in the CAISO analysis indicates that the few hours where system-level uncompetitive conditions have arisen result in conditions that are needed for an entity to exert market power. We also question as

## System Market Power Analysis – Work Shop

other stakeholders have, how system market power can exist if imports and access to supply are not constrained. A system-level market power mitigation framework would therefore be a solution in search of a problem that has not been demonstrated to exist. Further, it would potentially exacerbate what appears to be the root cause issue which is a lack of adequate supply in the market by potentially reducing incentives for import supply in CAISO's BAA.

In addition, there are many technical barriers associated with implementing such a framework. As CAISO explained at the workshop, it would be challenging to design a DEB for imports as it is difficult to estimate the costs of import supply and developing a system-level RSI test could have feasibility challenges and prevent implementation of other market features.

Further, our understanding is that no other ISO has developed a system-level market power mitigation framework. This fact in itself raises red flags as to why CAISO's markets would be experiencing conditions that no other ISO is facing. Prior to considering developing a system-level market power mitigation framework, Seattle believes more work needs to be done to understand whether other ISO's have experienced hours system level uncompetitiveness, how this was analyzed and the solutions that were developed in response.

### 4. Enhanced ISO market scarcity pricing provisions

Please provide your organization's feedback on the *enhanced ISO market scarcity pricing provisions* topic. Please explain your rationale and include examples if applicable.

Seattle strongly supports robust scarcity pricing provisions and encourages CAISO to explore enhancements as a solution to address the concerns regarding system level uncompetitive conditions. Allowing scarcity pricing to exist is essential to attracting imports and should be prioritized as a mechanism to address CAISO's lack of adequate supply.

### 5. Optional comments on stakeholder-presented topics

No comments.

### 6. Additional comments

Please offer any other feedback your organization would like to provide on the topics discussed during the workshop.

## **System Market Power Analysis – Work Shop**

Seattle is encouraged by CAISO recognizing the complexities and barriers associated with developing a system level market power mitigation framework, and the potential negative consequences such as diminishing import supply. Seattle encourages CAISO to continue to consider and articulate the impacts of a system-level mitigation framework on the CAISO markets including the EIM and efforts to expand the day-ahead market to the EIM.