



Stakeholder Comments Template

Price Performance Analysis

This template has been created for submission of stakeholder comments on the Price Performance Analysis white paper that was published on April 3, 2019. The paper, Stakeholder meeting presentation, and other information related to this initiative may be found on the Miscellaneous Stakeholder Meetings webpage at:

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

Upon completion of this template, please submit it to initiativecomments@caiso.com.

Submissions are requested by close of business April 18.

Submitted by	Organization	Date Submitted
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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 supports CAISO’s efforts to address price performance and formation issues in its markets. How electricity prices are formed in CAISO’s markets are a reflection of the overall health and robustness of the markets. Further, the impacts of price formation have very real economic impacts for market participants and also influence the decisions of future market participants to join a market. For these reasons, Seattle is very pleased that CAISO has committed to analyzing certain aspects of price performance and formation in its markets that have been raised by stakeholders and the Market Surveillance Committee. The comments below provide additional detail on Seattle’s specific recommendations on the topics raised.

1. Scope

The Price Performance Analysis effort is intended to ensure ISO markets produce prices that incentivize performance and reflect system conditions. Please provide your organization's feedback on the scope of this effort. Specifically, what should be included, and what should be excluded. Please explain your rationale and include examples, if applicable.

CAISO states that price deviations across CAISO's markets and will be the main focus of its price performance analysis. Specifically, CAISO will be exploring concerns raised by stakeholders including why real-time prices have been trending lower than day-ahead prices and whether real-time prices adequately reflect constrained system conditions. Further, Seattle understands the impetus for CAISO's price formation analysis is an opinion of the Market Surveillance Committee in the intertie deviation settlement initiative that raised questions regarding price deviations across CAISO's markets. Seattle supports the focus of CAISO's analysis and the following topics it proposes to include in the scope of the analysis:

- Metrics to determine price performance
- Operator interventions on the supply side
- Divergence of load requirements
- Divergence of supply capacity
- Dynamics of markets

Included in the topic "Dynamics of Markets" is "the impact of convergence bids, and bidding more generally, in the different CAISO markets and the potential effect on price performance." Seattle asks that CAISO consider broadening this subtopic to capture the impacts of CAISO's "energy-only" market design that enables energy products that lack bundled capacity attributes to be treated the same as non-firm energy, speculative supply, virtual supply and unit contingent energy. Impacts could include but are not limited to out of market actions to backstop supply awards that are not firm and the impacts of this on day-ahead prices. This issue has been raised in the context of the Day-Ahead Market Initiative (DAME) Phase II and Seattle believes there could be value in further analyzing the impacts of the comingling firm and non-firm energy on price formation in this analysis to help inform the market design discussion in DAME Phase II. Specifically, Seattle believes it would be helpful for CAISO to perform market re-runs that analyze the pricing and dispatch impacts in the day-ahead market of not including virtual supply and historical no-show real-time imports.

2. Drivers

The Price Performance Analysis initiative white paper examined the potential drivers to be included within the analysis. Please provide additional drivers to consider, if any. Please explain your rationale and include examples, if applicable.

3. Data Requests

Please provide your organization's feedback on any specific data requests. Please explain your rationale and include examples, if applicable.

As mentioned in Section 1, Seattle requests that CAISO perform market re-runs that exclude virtual supply and imports that are historically "no shows" in the real-time market.

Additional comments

Please offer any other feedback your organization would like to provide on the Price Performance Analysis white paper.

Seattle appreciates CAISO's analysis into price formation topics and we believe this should be a regular recurring effort and evaluation. Please contact Lea Fisher at Lea.Fisher@seattle.gov or 206-386-4546 if you have any questions.