

**Western Power Trading Forum on the CAISO's System Market Power Mitigation Initiative
Scoping Document**
Carrie Bentley - Gridwell Consulting for WPTF - Cbentley@gridwell.com

The Western Power Trading Forum

The Western Power Trading Forum (WPTF) is a California nonprofit, public benefit corporation. It is a broad-based membership organization dedicated to enhancing competition in Western electric markets while maintaining the current high level of system reliability. WPTF supports uniform rules and transparency to facilitate transactions among market participants. The membership of WPTF and the WPTF CAISO Committee responsible for providing these comments include CAISO and EIM entities, load serving entities, energy service providers, scheduling coordinators, generators, power marketers, financial institutions, and public utilities that are active participants in the California market, other regions in the West, and across the country.

Comments

WPTF appreciates the opportunity to submit these comments on the CAISO's System Market Power Mitigation Initiative Scoping Document posted on October 28, 2019. WPTF's comments remain brief given that we have only recently submitted comments on the CAISO Conceptual Design Document and the comments herein should be considered supplemental to previously submitted comments. Since posting the Scoping Document, the CAISO has not hosted a meeting or call to discuss it, thus stifling clarifying questions and the ability to provide feedback and thoughts in an interactive and collaborative setting, especially with only a one week turnaround.

Need for System Market Power Mitigation has not been established

WPTF continues to question the need for SMPM given the results of the CAISO's own analysis. The evidence provided to date in support of SMPM points to the fact that uncompetitive conditions *may have* be presented *at most* 2% of the hours. We continue to support a "wait and see" approach. Furthermore, given the other extensive, far-reaching policy initiatives the CAISO already has underway, WPTF urges the CAISO to focus on targeted improvements to other the other aspects of the market such as Resource Adequacy and forward contracting. Bilateral contracts can help ensure robust future supply, as can an RA structure that adequately incents supply availability. With these incentives in place, the likelihood of uncompetitive conditions is lessened, and supply resources can be provided with transparent and adequate price signals.

Design Principles

WPTF strongly urges the CAISO to include the following design principle in addition to those already listed in the document:

Mitigation mechanism should not degrade quality of price signals, most notably during tight supply conditions.

If the CAISO determines it is necessary and cost-effective to move forward with implementing a mitigation mechanism, it needs to balance such a design with provisions that keep proper market price signals from being stifled. It is essential that the market be equipped with a pricing mechanism that ensures prices rise as supply conditions tighten even in hours when mitigation is being applied. This is essential to ensure the integrity of the market, and – as directed in the CAISO’s Operating Principles – *facilitate effective markets* by providing accurate and transparent market prices.

Scope of the Initiative

It is WPTF’s understanding that this document is intended to shape the scope of a System Market Power Mitigation initiative if the CAISO Board opts moving forward with such. WPTF questions why the scope does not allow for consideration of other, potentially more effective triggers, than the Residual Supply Index (RSI). At its Oct 11 meeting, the Market Surveillance Committee noted significant issues with the implementation of SMPM using RSI, and that these issues should be thoroughly explored in any future SMPM initiative. Furthermore, the evaluation of market power metrics should not be stymied from considering other options, such as a conduct and impact test, to be used instead of or in concert with RSI.

Process Questions & Concerns

Given the CAISO’s deviation from its established Stakeholder process in this case, participants were not provided the ability to ask clarifying questions prior to submitting these comments. Thus, WPTF still has some outstanding questions. Assuming WPTF’s understanding of what the CAISO is considering is accurate, WPTF is unsure of the logic behind subtracting load from supply when calculating available supply. The net buyer distinction in the existing local market power mitigation process excludes those entities from being pivotal because they have no incentive to economically withhold. That is fundamentally different than reducing available supply used in the calculation based on load. The former keeps the supply in the non-pivotal supply stack while the latter would reduce supply. Another open question relates to the use of three binding constraints. This threshold is arbitrary, and even if those three are binding, one cannot conclude that the market is cut off from competitive supply from outside the CAISO BAA. Rather, internal load could still be served over multiple competitive ties.

Thank you for consideration of these comments.