



# System Market Power

---

Kallie Wells – Gridwell Consulting  
CAISO Committee Consultant for WPTF

[kwells@gridwell.com](mailto:kwells@gridwell.com)

916.306.1743

July 2019

# About Western Power Trading Forum

---

- Western Power Trading Forum is a non-profit, trade forum dedicated to competitive markets and transparency at the California ISO and across the West
- CAISO Committee- paid monthly service for WPTF members that covers CAISO policy and important happenings
- *This presentation does not necessarily represent WPTF members' views*

# About Gridwell Consulting

---

- Gridwell is a boutique consulting firm located in Sacramento, CA
  - All things CAISO – transmission, interconnection, settlements, and energy markets
  - Resource adequacy in CA and west

# Overview

---

1. Residual Supplier Index (RSI) results are not a conclusive indicator of market power
2. There is no evidence that conditions needed to exert market power exist
3. Scarcity pricing is critical in a well-functioning market
4. A monitoring approach is best suited to current market power conditions

# Residual Supply Index (RSI) is a screen, not a conclusive indicator

---

- RSI results are a first level assessment to identify potentially uncompetitive conditions, not a test that market power has been exercised
  - Scarcity conditions result in false positive RSI results
  - Prices under scarcity conditions do not mean that market power has been exercised
- Using an RSI 3 is somewhat arbitrary
  - How much more compelling is an RSI with 4 or 2 pivotal suppliers?
  - This directly impacts identification of uncompetitive hours
- Carefully consider what conclusions are made from RSI results

# Conditions necessary to exert market power have not been shown to exist

---

- Ability for a market participant to exercise market power requires uncompetitive conditions to be:
  - ❑ **Predictable and persistent** – conditions occur during same time of day/month/season
  - ❑ **Timely** – must have sufficient time to identify forthcoming uncompetitive conditions and submit bids to the market for those hours
- These conditions have not been evaluated

# Scarcity signals are part of a well-functioning market

---

- Markets that enable pricing to signal scarcity should not then be equated to abuses of market power
- Prices should increase during tight supply conditions to incent efficient actions, investment, etc.
- Allowing scarcity is extremely important when it comes to attracting imports

# Recommendation: take a “monitor and see” approach

---

- Report out RSI and sensitivities routinely
  - Add additional predictability and persistence metrics
  - Evaluate whether RSI failed hours are due to scarcity or supplier concentration
  - Evaluate bidding behavior during suspect hours
- ISO should focus on other market changes that improve competition and efficient pricing
  - Address price formation concerns
  - Focus on flexible ramping products