

Comments of the CPUC Energy Division Staff
on the California ISO's
Import Bid Cost Verification Initiative
Balancing Authority Area
May 30, 2019

Energy Division Staff at the California Public Utilities Commission supports CAISO's launching of the import bid cost verification initiative to provide a safeguard against the potential exercising of market power. As stated in the issue paper, imports make up roughly a quarter of the ISO's supply and the ISO relies on imports to reliably meet system needs. Recent DMM and CAISO analysis of structural competitiveness suggest that there are hours in which suppliers could exercise market power. Raising the bid cap from \$1,000/MWh to \$2,000/MWh, per FERC Order 831, will further exacerbate this situation by removing a layer of market power mitigation that currently exists to prevent non-cost-based bids from forming excessive energy prices in the market.

In its Commitment Cost and Default Energy Bid Enhancements (CCDEBE) initiative, CAISO developed ex ante cost verification for internal resources but did not cover intertie resources. This import bid cost verification initiative begins to address this gap in cost verification for imports.

Energy Division Staff agrees with CAISO's proposal to require all suppliers submitting import bids above \$1,000/MWh to base their bids on their actual or expected short-run marginal costs. However, Staff does not believe that ex post cost verification for imports is sufficient to address the potential for market power exercise. Ideally, ex ante cost verification would be developed for imports to ensure that bids above \$1,000/MWh are cost-based and excessively high bids do not shape market prices.

Staff understands the current limitations with resource information related to import bids that are not unit-specific. There may be alternative ways to determine costs associated with imports that will allow the ISO to verify bids before the market run.

We appreciate CAISO staff's work to develop these cost verification measures in time to implement them in conjunction with CCDEBE and Order 831 tariff changes.