



Stakeholder Comments Template

System Market Power Mitigation

Submitted by	Organization	Date Submitted
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Summary

Calpine continues to believe that a conduct-and-impact test is a more effective tool to expose and mitigate the specific resource(s) whose conduct is demonstrably abusive. While we support some of the changes suggested in the Draft Final Proposal we remain troubled by the fact that it is highly likely that the same three pivotal suppliers will be mitigated regardless of their conduct.

1. Pivotal Supplier Test Trigger

Please provide your organization's specific feedback on the ISO's Pivotal Supplier Test Trigger proposal, as described within the draft final proposal, which includes several criteria to only perform the three pivotal supplier test when there is a potential for system-level market power.

The CAISO proposal offers a multi-factor triggering mechanism. The use of updated gas prices, objective price thresholds and external DA prices at liquid hubs (even if time-dislocated) as well as EIM system lambda values should combine to reasonably limit the circumstances during which one might suspect market power to be exercised. We support the various mechanisms, and particularly the requirement that all factors should be eclipsed before performing any further evaluation of market concentration or mitigation.

Calpine does seek several clarifications however. First, while difficult and potentially time-consuming, Calpine seeks to understand the circumstances (e.g., load levels, time of day, frequency) when the multi-factor test would trigger the three pivotal supplier test. Second, the CAISO should clarify that in all circumstances, the basis of the comparisons that the CAISO will make will be the CAISO system lambda (i.e., the SMEC) and not a total LMP price that would reflect congestion and losses. Certainly high total LMPs (e.g., above \$100) can be driven by transmission constraint shadow prices, not necessarily the exercise of market power. Third, it would help our understanding to see a numerical example of how a DA, Palo Verde index price would be disaggregated to hourly values, as necessary for comparisons to HASP prices. Also, the subjective metric of SMEC "over \$100" should be indexed to GHG costs so that it escalates as needed. And along these lines, it would be helpful to have an example calculation of the day-of, gas-price-based proxy peaker calculation including the assumed heat rates, gas prices, GHG costs, and

O&M factors. Finally, we seek clarification of the transparency of the four factors. Specifically, will the ISO publish the results of the factor calculations daily, possibly after the DA market closes and again after the day-of gas prices are known?

Calpine also supports the evaluation of market power in the HASP runs – where all resources, internal as well as imports compete. All supply offers should be included in any screening – including both cleared and uncleared, fringe supply. That said, we agree that the intertie scheduling limit should be a hard constraint to the inclusion of fringe import supply. We agree that given the inability to change bids after the HASP that no new mitigation should occur in subsequent FMM or RTD intervals. On the other hand, if market concentration indicates pivotality, all subsequent intervals in FMM and RTD for that hour, and only that hour, should be subjected to mitigation.

2. Pivotal Supplier Test Design

Please provide your organization's specific feedback on the ISO's proposal to use the three pivotal supplier test to determine if pivotal suppliers in the ISO Balancing Authority Area (BAA) could exercise market power in the constrained region, as described within the draft final proposal.

Again, for all of the reasons identified earlier by stakeholders, Calpine would prefer an impact test (that is, would acceptance of the bid result in SMECs that exceed an objective threshold) rather than this three pivotal supplier test.

3. Determining competitive LMP

Please provide your organization's feedback on the proposal to calculate the competitive locational marginal price (LMP) when the ISO BAA fails the system-level market power mitigation test.

Calpine supports the proposed modifications which set the competitive LMP at the higher of the greatest price threshold used to trigger mitigation or the next highest EIM BAA SMEC. Again, it would help if the CAISO could provide an illustration of this calculation.

4. Applying mitigation to internal supply offers

Please provide your organization's feedback on the proposal to apply the Pivotal Supplier Test to mitigate pivotal supplier resource offers within the ISO's BAA when the pivotal supplier test fails.

Calpine seeks more clarity on the variability (if any) in the sets of three pivotal suppliers. That is, given the new proposal, would the same three net suppliers (and others if jointly pivotal) be subjected to mitigation on a highly frequent basis? How much variation does the ISO experience in the composition of the top three internal net sellers in the RT markets??

5. Additional comments

Please offer any other feedback your organization would like to provide on the revised straw proposal and topics discussed during the web meeting.

No Comment