

# **Comments on Pseudo-Ties of Shared Resources Issue Paper and Straw Proposal**

**Department of Market Monitoring**

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## **Introduction**

The Department of Market Monitoring (DMM) appreciates the opportunity to comment on the ISO's *Pseudo-Ties of Shared Resources Issue Paper and Straw Proposal*.<sup>1</sup> This initiative proposes to allow the entity or entities controlling a resource to model a single resource as if it is actually two or more separate resources. The proposal would allow each separately modeled "share" of the single physical resource to be modeled in a different balancing area than the other shares. In particular, one portion of a resource could be modeled as being in CAISO and participating in CAISO's day-ahead market, while the other portion could be modeled as being in an EIM BAA and only participating in the real-time Western EIM.

## **Support for a shared resource design that would increase market participation**

The ISO explains that modeling shared resources is necessary to allow "dynamically transferred resources, from new EIM Entity BAAs into the CAISO BAA, to continue participation in CAISO's markets."<sup>2</sup> DMM supports the ISO working with stakeholders to develop a split resource design that could increase participation in the Western EIM and CAISO markets.

## **Bid cost recovery considerations**

The Shared Resource Allocation Protocols and Settlement Quality Meter Data Plans will define how each share of a resource will divide resource attributes that are critical for determining each shared resource's bid cost recovery payments. These attributes include telemetry, metered output, minimum load level, minimum load costs, start-up costs, and maximum output levels--both with and without plant outages. The ISO proposes some "expectation[s]" and "default methodolog[ies]" for how the owner(s) should divide these attributes. However, while the proposal requires that the ISO must approve each plan, the proposal ultimately allows the resource owner(s) a significant degree of discretion over how these attributes will be divided.

This discretion will surely be valuable for allowing an owner(s) to work with the ISO on modeling complex arrangements to share non-standard resources between BAAs. Allowing limited or no discretion in how resource attributes will be shared could unnecessarily impede participation in Western EIM and CAISO markets.

However, this discretion also makes it almost impossible to think through all potential arrangements that could be used to inflate owner(s)' bid cost recovery payments or to inequitably allocate bid cost recovery to one BAA rather than the other. There are at least some

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<sup>1</sup>*Pseudo-Ties of Shared Resources Issue Paper and Straw Proposal*, CAISO, May 7, 2020:

<http://www.caiso.com/InitiativeDocuments/IssuePaper-StrawProposal-Pseudo-Ties-SharedResources.pdf>

<sup>2</sup> May 7 proposal, p. 6.

strategies that owners could employ in combination with extreme attribute sharing protocols to inflate bid cost recovery.

DMM understands that eliminating discretion over sharing protocols at this time in order to prevent unlikely arrangements could inefficiently impede EIM and CAISO market participation. DMM also expects bid cost recovery mitigation measures, such as those designed in 2012,<sup>3</sup> to be effectively implemented for each share and to mitigate most potential BCR games. However, the ISO's design should include measures that assure that sharing arrangements can be modified or nullified if they are found to enable gaming.

Therefore, DMM requests that the ISO explain in its next straw proposal how its updated design ensures transparent and public vetting of each shared resource's plans for dividing the resource attributes, including telemetry and metered output. We also request that the ISO explain the authority it will have and the procedures that it will employ to modify or nullify the Shared Resource Allocation Protocol and Settlement Quality Meter Data Plan if the ISO, DMM, or stakeholders identify gaming opportunities created by a particular sharing protocol either before or after the specific sharing protocol's implementation.

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<sup>3</sup> *Bid Cost Recovery Mitigation Measures Third Revised Draft Final Proposal*, CAISO, November 26, 2012:  
[http://www.caiso.com/Documents/ThirdRevisedDraftFinalProposal\\_BidCostRecoveryMitigationMeasuresNov26\\_2012.pdf](http://www.caiso.com/Documents/ThirdRevisedDraftFinalProposal_BidCostRecoveryMitigationMeasuresNov26_2012.pdf)