

**COMMENTS OF IDAHO POWER COMPANY  
ON CAISO’S LOCAL MARKET POWER MITIGATION  
REVISED STRAW PROPOSAL**

<b>Submitted By</b>	<b>Company</b>	<b>Date Submitted</b>
Camille Christen <a href="mailto:cchristen@idahopower.com">cchristen@idahopower.com</a>	Idaho Power Company	December 7, 2018

Idaho Power Company (“Idaho Power”) appreciates the opportunity to comment on the California Independent System Operator’s (“CAISO”) *Local Market Power Mitigation Revised Straw Proposal* dated November 16, 2018. Idaho Power appreciates CAISO’s and stakeholders’ continued work on these issues, particularly on economic displacement and the new default energy bid. Idaho Power has several suggestions for further consideration.

**I. ECONOMIC DISPLACEMENT**

Regarding the proposal for economic displacement, CAISO has proposed an updated principle that, due to the voluntary nature of the Energy Imbalance Market (“EIM”), suppliers should not be forced to sell energy at a mitigated price to other Balancing Authority Areas (“BAA”) in volumes greater than (1) the exporting BAA’s flexible ramp upward requirements or (2) the pre-mitigation export quantity.<sup>1</sup> Based on that principle, CAISO is proposing to allow EIM Entities the option of limiting their EIM transfer exports, in intervals when mitigation is applied, to the greater of base schedules, the

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<sup>1</sup> CAISO, *Local Market Power Mitigation Revised Straw Proposal (“Proposal”)*, 14 (Nov. 16, 2018).

flexible ramping upward award, or pre-mitigation transfers.<sup>2</sup> Idaho Power appreciates that CAISO has recognized this principle and is proposing an option to address it.

## **II. NEW DEFAULT ENERGY BID FOR HYDRO RESOURCES**

Idaho Power appreciates CAISO's continued work and analysis on the proposed default energy bid ("DEB") for hydro resources. The revised straw proposal incorporates a number of stakeholders' suggestions. In particular, Idaho Power appreciates the move toward DEB formulas tailored to shorter-storage and longer-storage resources and CAISO's inclusion of multiple geographic locations. These proposals are a step in the right direction. That being said, CAISO should consider additional refinements.

Regarding the short-term DEB formula, Idaho Power appreciates that CAISO has recognized that a higher scalar is appropriate for shorter-storage resources. In the stakeholder call on the revised proposal, several commenters noted that CAISO's analysis suggests that a scalar of 1.65 may be more appropriate for resources with one month of storage. Idaho Power agrees—CAISO should use the 1.65 scalar for such resources.

Regarding the gas heat rate component of the short-term DEB formula, it appears that CAISO proposes to use an average heat rate for a typical gas resource. Idaho Power is interested in further clarification on how this would be determined and whether the heat rate used in the paper—7,812 Btu/kWh—is proposed to be used in the formula.<sup>3</sup> Idaho Power suggests consideration of using a heat rate specific to each entity, based on its characteristics. As briefly discussed in the stakeholder call, CAISO should also consider

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<sup>2</sup> *Id.* at 19-20; CAISO, *Local Market Power Mitigation Revised Straw Proposal Stakeholder Call Presentation*, 22 (Nov. 28, 2018).

<sup>3</sup> *Proposal* at 27 and n.14.

using a peaker gas heat rate, which may more accurately capture short-term constraints and volatility.

Idaho Power has several suggestions regarding the opportunity to consider multiple geographic locations. First, the short-term DEB formula should also have the ability to consider multiple geographic locations, like the proposal for the longer-term DEB.<sup>4</sup> The ability to sell at different locations is not limited to resources with longer-term storage. Resources with shorter-term storage will also seek to maximize their opportunities by selling at multiple geographic locations when possible.

Second, CAISO should consider alternatives for how the geographic hubs will be weighted in the formulas. In the stakeholder call, Powerex discussed a methodology that would give more weight, within the constraint of transmission availability, to the index with higher prices. CAISO should consider this or similar alternatives.

Finally, regarding how an entity can demonstrate access to multiple geographic hubs, CAISO has proposed that an entity would need to show firm transmission from the resource to the different hub.<sup>5</sup> CAISO has identified four bilateral hubs that would be available for use in the DEB formula, with each entity having one that is its “default.” Idaho Power believes entities should also have an opportunity to demonstrate transmission to a trading point (not necessarily one of the identified hubs) that has pricing similar to a hub that is not its default. For example, Idaho Power’s default hub, according to the proposal, would be Mid-Columbia.<sup>6</sup> However, Idaho Power has transmission to and the ability to trade at certain points on its system where, at certain times during the year, pricing is

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<sup>4</sup> *Id.* at 29.

<sup>5</sup> *Id.*

<sup>6</sup> *Id.*

much closer to Palo Verde prices. An entity should be able to include an additional hub in its hydro DEB if it can demonstrate transmission to, and the ability to trade at, points whose pricing can be similar to the other hub. CAISO should not strictly require a demonstration of firm transmission directly to the hub.

Idaho Power thanks CAISO for the opportunity to comment and looks forward to continued collaboration on these and other issues.