



Stakeholder Comments Template

System Market Power Mitigation

This template has been created for submission of stakeholder comments on the Revised Straw Proposal for the System Market Power Mitigation. The paper, stakeholder meeting presentation, and all information related to this initiative is located on the [initiative webpage](#).

Upon completion of this template, please submit it to initiativecomments@caiso.com. Submissions are requested by close of business **May 4, 2020**.

Submitted by	Organization	Date Submitted
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Please provide your organization's general comments on the following issues and answers to specific requests.

PG&E offers the following comments on the California Independent System Operator's (CAISO) System Market Power Mitigation revised straw proposal. PG&E appreciates the good work that the CAISO has done to evolve this initiative.

Overall, PG&E believes that the changes in this proposal are a step in the right direction and we hope our comments along with other stakeholders' can help fine tune some of the elements of the proposal so that an effective real-time system market power mitigation framework can be put into place in a timely manner. PG&E believes that it is important that the implementation timeline of this initiative be followed such that the system mitigation procedures will be in place by the summer of 2021, at the latest. We think it is important for the future of the CAISO energy markets that a system market power mitigation design be put into place that improves the likelihood of competitive outcomes in the electricity market as more gas capacity comes offline to meet state policy objectives and generation is owned and controlled by fewer sellers. If additional measures to effectively mitigate market power are identified (but CAISO concludes cannot be implemented timely), CAISO should move forward with those solutions in a parallel process.

PG&E's specific comments can be summarized by the following:

- PG&E is concerned that the requirement that the CAISO BAA be the highest priced region in the EIM may miss certain intervals where the CAISO BAA is structurally uncompetitive.
- PG&E does not believe that imports should automatically be counted as fringe supply when the CAISO is performing an RSI3 structural competitiveness test.

- Import RA energy with a must-offer obligation should be subject to mitigation if its supplier affiliate group is pivotal. The changing structure of the import RA requirements will make mitigation of those bids much more feasible.
- PG&E requests further discussion from the CAISO about how this system market power mitigation proposal and the current EIM system mitigation process will interact and affect an EIM BAA that is import constrained and in the highest priced region with the CAISO BAA.
- Based on stakeholder feedback during the presentation, PG&E has concerns that transmission capacity could be strategically withheld from the market to reduce competitive supply and we ask the CAISO to look into this and work to create a solution if necessary.

1. Pivotal Supplier Test Trigger

Please provide your organization's specific feedback on the ISO's proposal to perform the Pivotal Supplier Test when its Balancing Authority Area (BAA) is in the highest priced import-constrained region in the energy imbalance market.

PG&E is concerned that the requirement that the CAISO BAA be the highest priced region in the EIM may miss certain intervals where the CAISO BAA is structurally uncompetitive.

PG&E appreciates the CAISO's work on a newly proposed pivotal supplier test trigger and sees the new design as an improvement. PG&E agrees that a 3-pivotal supplier test should be triggered when its BAA is in a higher priced import-constrained region in the Energy Imbalance Market (EIM), however our concern is that the CAISO's proposed criteria still may miss intervals where it would be appropriate to perform a pivotal supplier test.

It is possible that there could be multiple transmission constrained areas in the large geographic area of the EIM and that multiple BAAs are structurally uncompetitive in the EIM in the same interval. PG&E is concerned that the proposed trigger would miss mitigating pivotal suppliers in those constrained areas due to the requirement that CAISO be the highest priced region.

The EIM is expanding to a large geographic area with many BAAs that will extend from British Columbia, to Montana, and down to New Mexico. Some of these BAAs may have multiple BAAs in between them and the CAISO BAA. If there is congestion that leads to the highest priced import constrained region being in for example Puget Sound Energy or the Public Service Company of New Mexico, it does not mean that the CAISO BAA, which might also be import-constrained, is structurally competitive.

PG&E recommends that the CAISO consider (i) whether the CAISO BAA should have to be in the highest priced region of the entire EIM to trigger the mitigation process and (ii) what would be a proper reference price for an import-constrained price to be compared to.

2. Pivotal Supplier Test Design

Please provide your organization's specific feedback on the ISO's proposal to consider suppliers with resources within the CAISO BAA as potentially pivotal, treat economic import offers and offers from participating resources within the energy imbalance market as fringe supply, and account for net seller load-serving obligations.

PG&E does not believe that imports should automatically be counted as fringe supply when the CAISO is performing an RSI3 structural competitiveness test.

PG&E sees problems with defining imports and EIM imports as fringe supply. Even if the CAISO proposes not to mitigate import bids, CAISO should still count import energy as pivotal supply in a structural competitiveness test of the area. This import supply, both EIM transfers and non-EIM transfers, should not be treated differently than internal resources when the CAISO performs a RSI3 pivotal supplier test. Supplier affiliate groups can submit high bids to economically withhold import energy that they schedule just as they could with internal resources they schedule. This import energy should be subject to the same pivotal vs fringe counting considerations as internal resources, and the appropriate amount of pivotal supply from the import energy should be added to the supplier affiliate group that the import supplier is associated with. The supplier affiliate groups should be the focus of a structural competitiveness RSI3 test rather than where the energy is coming from.

3. Determining competitive LMP

Please provide your organization's feedback on the proposal to determine the competitive Locational Marginal Price (LMP) when the ISO mitigates bids for resources located within its BAA.

PG&E have no further comments at this point.

4. Applying mitigation to internal supply offers

Please provide your organization's feedback on the proposal to mitigate pivotal supplier resource offers within the ISO's BAA.

CAISO's proposal identifies the mitigation target as any supplier affiliate group that in combination with the 2 largest supplier affiliate groups fails the RSI3 test. The supply from these identified pivotal supplier affiliate groups would be subject to mitigation. PG&E would appreciate clarification on whether fringe supply of the identified pivotal supplier affiliate groups would be mitigated when the RSI3 test is failed. We believe fringe supply should be mitigated with the pivotal supply when it is scheduled by a pivotal supplier affiliate group because this makes the supply no longer fringe.

Import RA energy with a must-offer obligation should be subject to mitigation if its supplier affiliate group is pivotal. The changing structure of the import RA requirements will make mitigation of those bids much more feasible.

Should the CAISO mitigate non-EIM imports when the constrained area fails an RSI3 test? The CAISO states in its paper that "[t]he CAISO does not propose to mitigate import offers because an import supplier could simply not offer import supply to the market if it were trying to withhold supply." This is not true in the case where the import supply has a Resource Adequacy (RA) contract and an associated must-offer obligation into the market. Import RA resources should be treated comparably to internal generation in applying mitigation measures to the degree feasible. It seems inconsistent for CAISO to emphasize in the RA space that these import resources are needed for reliability but are also considered here as fringe supply.

PG&E understands that the rules around import RA are under further consideration in RA Enhancements and at the CPUC. These parallel processes seem to be moving import RA further in the direction of resource specific with many resources likely to be dynamically scheduled or

pseudo-tied resources. While a single option for mitigation might not be feasible, CAISO should develop methods to apply mitigation to different RA imports depending on the arrangements. Resource specific imports, dynamic schedules and pseudo-tied resources could be mitigated in a consistent manner to internal RA resources with supply bids. For non-resource specific RA resources, the CAISO could come up with a framework similar to the maximum import bid price proposed in the FERC Order 831 initiative as a mitigated price without major concerns that the mitigated price would be too low and discourage participation. PG&E suggests given the directions of these processes the CAISO re-consider mitigating import RA resources when their supplier affiliate group is pivotal.

PG&E requests further discussion from the CAISO about how this system market power mitigation proposal and the current EIM system mitigation process will interact and affect an EIM BAA that is import constrained and in the highest priced region with the CAISO BAA.

PG&E would like a further explanation from the CAISO as to how the proposed CAISO system market power mitigation would interact with the existing EIM BAA system level mitigation. The CAISO is proposing as a part of this system market power mitigation initiative that EIM BAA imports into the CAISO BAA would not be subject to mitigation. If they are not subject to this CAISO BAA system market power mitigation, are they going to be subjected to the EIM BAA system level mitigation? It seems that if the CAISO BAA system level mitigation prevents the EIM BAA from being subject to the current EIM BAA system level mitigation, then an EIM BAA that is import constrained with the CAISO should have its resources subjected to mitigation as a part of this process. If this proposal for CAISO BAA system level mitigation does not prevent an EIM BAA from being mitigated by the current EIM system level mitigation framework then we might agree that there cannot be two system level mitigation procedures on a BAA.

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.

Based on stakeholder feedback during the presentation, PG&E has concerns that transmission capacity could be strategically withheld from the market to reduce competitive supply and we ask the CAISO to look into this and work to create a solution if necessary.

PG&E was concerned from the stakeholder call with comments that were made about transmission capacity that could be available in the bilateral markets when the CAISO considered an area import constrained based on congestion caused by a lack of transmission availability in their market. PG&E would like to point out that once you are at a 15-minute market in the EIM, that transmission is not there if it's being withheld and causing further congestion. CAISO is applying the mitigation test appropriately based on transmission supply actually offered and not on some theoretical amount.

Our additional concern is that participants comments sound as if transmission capacity being withheld from the market on import interties. Such transmission withholding could be used to block competition and limit competitive supply from others into the market. PG&E sees withholding of transmission capacity as another form of market power that should be addressed to ensure the markets are competitive. Withholding this transmission capacity from the market

reduces the quantity of competitive imports that can enter a market and forces a clearing price to climb higher up a supply curve. As a part of the EDAM and EIM initiative process (and DMM monitoring), CAISO should work to ensure opportunistic transmission withholding is not occurring and if needed, design rules to address such market power concerns.