

Price Formation Enhancements Working Group

17 - 23 Aug 2023

Poll results

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Slide 10 (1/4)

0 4 8

With the transition towards in-depth discussion of identified topic areas in mind, how long would you need for review of materials, development of presentations, etc. before regrouping?

Two Weeks



Three Weeks



Other (Submit answer in Chat)



Presenter



Once we return, how frequently should the PFE working group meet?

Continue with weekly cadence



Once every other week



Other (Submit answer in Chat)



Presenter



Do you prefer virtual or in-person working groups?

Virtual



In-person / hybrid



Presenter



Slide 10 (4/4)

0 4 3

Should the ISO explore alternative mediums for information-sharing (ex. pre-recorded webinars, models, etc.)?

Yes



No



If yes, what medium and why?



Presenter



What are the problems/challenges you are current facing with the concept of BAA-Level MPM as it relates to the Guiding Principle “Efficiency”?

(1/5)

- i am not able to see the other responses but they sound reflective of what we have already submitted in our written feedback
- I thought FERC required a determination that market power is not likely to occur in market, otherwise market power mitigation is required. Does DMM have an opinion?
- N/A
- n/a
- Over-mitigation is a concern .
- Event Producern
- N/A
- Spending time on this issue should be better justified as noted by others and the CAISOs review of prior feedback. It is not an efficient use of stakeholder time and resources to be prioritizing this issue over

What are the problems/challenges you are current facing with the concept of BAA-Level MPM as it relates to the Guiding Principle “Efficiency”?

(2/5)

- other important items - especially storage related market design changes. This topic should be included in its own EDAM improvement initiative and CAISO should provide time for full discussion on re-prioritizing the phasing of this initiative.
- Market participants should be able to submit bids that reflect their own dynamic assessments of costs and risks - mitigation obviates that possibility.
 - Stakeholder's may need to see analysis on how 'efficient' BAA-level MPM is in the WEIM before deciding if it is need in the EDAM.
 - A vast majority of CAISO resources are already subject to local MPM. What is the driver / need to expand MPM to the rest of the market?
 - null
 - Market power represents a failure of efficiency
 - Considering the difference between EDAM/EIM and

What are the problems/challenges you are current facing with the concept of BAA-Level MPM as it relates to the Guiding Principle “Efficiency”?

(3/5)

the CAISO markets, does efficiency mean, or imply, the same things in the two different markets?

- BAA-level MPM may limit an entity's ability to use bid-price to appropriately dispatch their resources, which is a hallmark of efficient wholesale market operations.
- Over mitigation and further distorted price signals and incentives. Still

looking for demonstrable evidence of the need for BAA level MPM.

- .
- Over-mitigation is not consistent with efficiency. For example, if 4 EIM BAAs separate from the balance of the footprint, the individual BAAs should not be mitigated as the pivotal supplier test should be passed.
- We know the consequences of new mitigation procedures, but

What are the problems/challenges you are current facing with the concept of BAA-Level MPM as it relates to the Guiding Principle “Efficiency”?

(4/5)

we have no information indicating that BAA-level MPM is necessary. Talking efficiency seems at least premature, at most a poor use of time.

- so when you are asking that question that is what comes to mind, it's said with only kindness, no grump
- At this time, there has been no data shown to support there is the ability to exercise any BAA level

market power at all. Most information supports there is no ability to do so given the size of the fleet.

- MPM does not allow for economic efficiency. It impose a cost on the parties in two forms: (1) it limits the amount the parties may request for their power, eliminating efficient reflection

What are the problems/challenges you are current facing with the concept of BAA-Level MPM as it relates to the Guiding Principle “Efficiency”?

(5/5)

- of the value of the resources. (2) it imposes an obligation on the parties to price according to the previous gas day which does not reflect the current day or spot gas market.
- Is this not a better question for CAISO, and for CAISO to explain the need for any MPM change?
 - The possibility o over-mitigation
 - I find the documentation very difficult to find, and parse through. Sometimes the documentation and presentations are from caiso perspective only, and reviewed for clarity from that lens
- N/A
 - n/a

What are the problems/challenges you are current facing with the concept of BAA-Level MPM as it relates to the Guiding Principle “Simplicity”?

(1/2)

- Designing and applying system-level mitigation that can work without introducing the risk of over-mitigation within market solution timelines will be a complex undertaking.
- n/a
- no comments
- I think people are confusing BAA-Level MPM with system market power mitigation.
- NA
- .
- Would like to explore if other approaches to MPM such as conduct and impact approach which seems simpler
- The desire to utilize an improper existing mechanism on a larger market is of a concern multiplicative of the scale of the market.
- To reiterate, the CAISO has failed to provide any analysis supporting BAA level

What are the problems/challenges you are current facing with the concept of BAA-Level MPM as it relates to the Guiding Principle “Simplicity”?

(2/2)

- market power concerns. No system • n/a
- market power should be introduced • n/a
- without data supporting the need. It adds complexity to the market and if there's enough capacity without pivotal suppliers, it would not be simple to add functionality not needed.
- NA
- Simplicity implies addressing problems where they exist. BAA-Level MPM does not mesh with that concept.

What are the problems/challenges you are current facing with the concept of BAA-Level MPM as it relates to the Guiding Principle “Transparency”?

(1/2)

- Application of market power needs transparent market prices to reasonably approximate the marginal costs of the resources being mitigated.
- There is insufficient transparency in BAA operations and out of market activity - and that influences MPM inputs and undermines trust in the MPM determination.
- There is little 'transparent' about the current MPM. Using a conduct and impact test makes the conditions for MPM really transparent.
- N/A
- .
- Market participants will have no transparency - at least not in real-time - as to why the CAISO triggered BAA-level mitigation.
- I don't believe it is clear how many resources within the BAA would actually pass or fail

What are the problems/challenges you are current facing with the concept of BAA-Level MPM as it relates to the Guiding Principle “Transparency”?

(2/2)

the resource test for any uncompetitive constraints (if we performed RSI on transfer constraints) within the DCPA

- n/a
- n/a
- NA
- n/a
- n/a

What are the problems/challenges you are current facing with the concept of BAA-Level MPM as it relates to the Guiding Principle “Feasibility”?

- .
- Solution time is already becoming an issue. I suspect that overall MPM may crush solution time.
- .
- If this group decides that BAA-level MPM is needed in the EDAM, it will be challenging to implement for EDAM go-live. EDAM implementation is already going to be a big lift.
- Relying on a static assessment of competitiveness would likely lead to over-mitigation, and the feasibility of a dynamic assessment is unclear.
- This assumes true underlying costs of various resources under various conditions can be determined.
- He who has the authority makes the rules happen. 😁
- NA
- a/n
- n/a
- n/a

Is there information the ISO could provide that would assist you in having a more robust conversation in the next phase?

0 1 1

(1/2)

- From the discussions today, it seems like stakeholders may benefit from a CAISO presentation on BAA-level MPM and how it is used in the WEIM. We would also like to hear the CAISO's perspectives on why BAA-level MPM is needed.
- 1. Analysis that clearly indicates the kind of lack of competitiveness that would warrant pursuing system-level mitigation. 2. How a dynamic competitiveness assessment incorporating multiple BAAs would be performed. 3. The feasibility of incorporating that dynamic assessment into current market timelines.
- It's difficult to request specific information regarding a problem that does not appear to exist.
- More information on how WEIM DCPA works and how effective and how problematic it is would be great. More data than what's in DMM's reports.

Is there information the ISO could provide that would assist you in having a more robust conversation in the next phase?

0 1 1

(2/2)



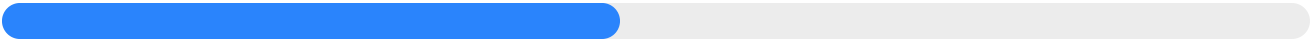
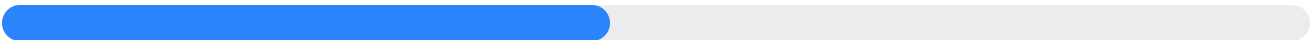
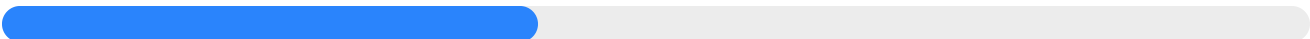
- n/a
- I think I'm hearing that some additional information that CAISO could provide would be a review of where to find the MPM methodology in general or a "101" and perhaps a comparison to MPM design in other markets. Given the recent discussion it might be helpful to see some analysis showing how the grouping approach applied to WEIM might have changed the frequency of mitigation.
- In accordance with legal protections against defective design I would appreciate if the ISO provided information on alternative MPM designs, functionality, feasibility, and cost.
- .
- NA
- n/a
- n/a

Which slices of data would you need to feel informed to continue the discussion regarding the need for BAA-Level MPM?

0 1 0

- In agreement with Cathleen on her suggestions.
- Expanding the MPM question beyond whether to implement the exist method in EDAM to alternative option of MPM, due diligence of alternative methods would be appreciated. While we may not agree on the existing structure there is a potential we may all agree on an alternative structure.
- .
- Residual supply analyses
- at the BAA level and across multiple BAAs
- It is difficult to prove a negative, so it would be useful for the CAISO to show why they believe BAA MPM is necessary.
- CAISO has been unclear on the actual problem statement, without which, you can't define the data you're looking for.
- event producer
- N/A
- n/a
- NA

RANKING QUESITON (1/2)

1. Resource Adequacy (Out of Market Action's impact to RT Prices)
 4.08
2. Resource Adequacy (Interaction of RA and triggering scarcity conditions)
 3.77
3. Resource Adequacy (Different RA programs throughout the West)
 2.73
4. Ancillary Service Pricing
 2.69
5. Flexible Ramping Product (current methodology and penalties)
 2.35

RANKING QUESTION
(2/2)

6. Presenter



Any new areas of discussion for the next phase? (1/2)

- Scarcity during DR and strategic reserve deployment. Interaction with surrounding bilateral areas and/or neighboring markets (if that becomes a thing).
- Maybe not for the next phase, but, IF, after sufficient discussion, the initiative arrives at a consensus that MPM is warranted, a comparison of the CAISO's "mitigated bid" approach to mitigation versus the "conduct and impact" system adopted by other ISOs would be useful.
- Event Producer
- Interplay between bilateral and CAISO markets and potential price formation enhancements to incent Western supply to offer into the CAISO markets.
- .
- provide additional information to evaluate what larger scale changes to market design are needed to converge advisory to binding results.
- n/a
- Advisory Pricing Transparency

Slide 24 (2/2)

009

Any new areas of discussion for the next phase? (2/2)

- We should also talk about this in the context Imbalance Reserves associated with DAME.