Commitment Cost and Default Energy Bid Enhancements Resubmittal 2020

Market Design Policy/Legal

February 27, 2020
History/Background

- **March 2018** – CAISO Board of Governors approves CCDEBE proposal
  - Update commitment costs and default energy bids
  - Add commitment cost market power mitigation and higher bid caps
  - Make permanent certain interim Aliso Canyon measures

- **March 2019** – CAISO Board of Governors approves Local Market Power Mitigation Enhancements proposal
  - Include more up-to-date gas indices for day-ahead and real-time market (Monday-Only index)
History/Background continued

• **June 2019** – Tariff stakeholder process propose two phases to CCDEBE
  
  – *Phase 1* - Updates to reference level enhancements and make permanent interim Aliso Canyon measures; updated indices rules from LMPME
  
  – *Phase 2* – Commitment cost market power mitigation and higher bid caps

• **August 2019** – Filed Phase 1 Tariff at FERC

• **2022** – Phase 2 tariff stakeholder process and filing at FERC
Summary of filing:

- Allow suppliers to request adjustments to reference levels.
- Retain 125% multiplier commitment costs and 110% multiplier to default energy bid costs
  - Multipliers included in reference level change requests.
- Allow use of Monday-only index and updates in real-time.
- Permanently implement interim Aliso Canyon measures
  - Improve the accuracy of the gas commodity price indices used in day-ahead market.
  - Provide suppliers advisory schedules two days before the trade date.
  - Clarify that the bid-effectiveness thresholds in the tariff apply to nomograms individual flowgates.
FERC process

- **October 7, 2019** - CAISO answer to comments and limited protest
  - Clarified second sentence of proposed section 30.11.1.1
  - Typographical and cross-reference errors in Section 30.11.1.1 and 30.11.3.4 (b)
  - Inadvertent omission of proposed deletion of Section 31.6.1 (v)

- **November 4, 2019** – FERC issued Deficiency Letter
FERC process continued

- November 22, 2019 – CAISO response to FERC’s deficiency letter
  - Presented data that supports 10 percent multiplier for fuel costs
  - Confirmed Monday-only index is severable from the rest of the proposed changes
  - Clarified gas penalties not accepted in after-the-fact demonstration, proposed adding language to 30.12.1
  - Agreed to modify BPM and add language to section 30.11.2.1 to reflect gas penalties to no longer accept before-the-fact verification process
  - Added clarifications to section 30.11.3.1 regarding prohibition on submitting reference level changes to inflate default energy bids or default commitment cost bids
FERC January 21, 2020 Order

• Approved measures effective January 28, 2020:
  – Day-ahead updated index – Section 39.7.1.1.1.3 (a)-(c)
  – Communications prior to DAM – Section 6.5.2.2.3
  – Greenhouse gas indices – Section 6.5.2.2.3
  – Real-time price index update – Section 6.5.4.2.3
  – Deletion of Section 30.4.1.2.(b)
  – Monday only index – Section 39.7.1.1.1.3 (b)-(c)
  – Bid effectiveness threshold – Section 27.4.3.6
• Compliance filing due Feb 21 to delete 31.6.1.(v)
FERC January 21, 2020 Order rejected CCDEDBE changes

- FERC explicitly rejected including the 125% multiplier included in calculating commitment costs in the context of reference level changes.
- FERC did not rule out the remainder of the proposal
CAISO plans to resubmittal the bulk of the CCDEBE tariff language with changes consistent with FERC’s direction

- Data justifies a 110% multiplier in default commitment cost bids given the ability to make reference level adjustments

- Propose to reduce the multiplier in default commitment cost bids to 110%
110% multiplier in the calculation of commitment cost bid caps is still appropriate in the context of reference level adjustments

- Captures:
  - Differences between estimated and actual costs that may change over the day, due to
    - Automatic reference level adjustments are capped at 110% for the entire day
    - Manual reference level adjustments are only available in the morning
  - Hard to define costs
  - Pre-defined administrative formulas cannot always accurately reflect actual costs

- 110% multiplier also eases administrative burden by decreasing the need for reference level adjustment requests
SoCal-City Gate Hub Prices deviation from weighted average price

![SoCal-Citygate Hub](chart.png)

- Frequency
- Percentage of deviation from weighted price
- Next Day Gas
- Same Day
SoCal-City Gate Hub Prices deviation from weighted average price
PG&E Gate Hub Prices deviation from weighted average price

Deviation range from weighted price

-100% to -55%
-50% to -45%
-40% to -35%
-30% to -25%
-15% to -10%
-5% to 0%
5% to 10%
10% to 15%
15% to 20%
20% to 25%
25% to 30%
30% to 35%
35% to 40%
40% to 45%
45% to 50%
50% to 55%
55% to 60%
60% to 65%
65% to 70%

- PG&E-Citygate

- Next Day Gas
- Same Day

Frequency

0%
10%
20%
30%
40%
50%
60%
Next day price variations – SoCal- Citygate
Same day variations – SoCal City Gate
PG&E Citygate and SoCal Citygate Natural Gas Next-Day Gas Index Prices Compared to Real-Time Gas Prices