Commitment Cost and Default Energy Bid Enhancements Resubmittal 2020

Market Design Policy/Legal

May 20, 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-City Gate Hub Prices deviation from weighted average price

![Graph showing cumulative percentage of deviation from weighted price]

- **Cumulative Frequency**
  - 0%
  - 10%
  - 20%
  - 30%
  - 40%
  - 50%
  - 60%
  - 70%
  - 80%
  - 90%
  - 100%

- **Cumulative Percentage of Deviation from Weighted Price**
  - (-100% to -75%)
  - (-70% to -65%)
  - (-55% to -50%)
  - (-45% to -40%)
  - (-35% to -30%)
  - (-25% to -20%)
  - (-15% to -10%)
  - (-5% to 0%)
  - (0% 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%)
  - (70% to 75%)
  - (75% to 80%)
  - (80% to 85%)
  - (85% to 90%)
  - (90% to 95%)

**Legend**
- Blue line: Next Day Gas
- Red line: Same Day
PG&E Gate Hub Prices deviation from weighted average price

![Bar chart showing deviation range from weighted price for PG&E Citygate]

- Frequency
- Deviation range from weighted price
- Next Day Gas
- Same Day
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