Commitment Cost and Default Energy Bid Enhancements Stakeholder Briefing

Market Design Policy/Legal

March 19, 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
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 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
PG&E Gate Hub Prices deviation from weighted average price

- Frequency

- Deviation range from weighted price

- PG&E-Citygate

- Next Day Gas

- Same Day
Next day price variations – SoCal - Citygate
Same day variations – SoCal City Gate

**Same Day, SoCal-City Gate. Jan 6, 2017**

**Same Day, SoCal-City Gate. Oct 30, 2017**

**Same Day, SoCal-City Gate. Aug 3, 2018**

**Same Day, SoCal-City Gate. Aug 3, 2018**
Comments due

• Please submit comments by end of day March 26 to initiativecomments@caiso.com