

Stakeholder Comments Template

FERC Order 831 Import Bidding and Market Parameters (FO8IBMP)

Submitted by	Organization	Date Submitted
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SCE provides the following comments on the California Independent System Operator (CAISO) revised straw proposal in the FERC Order 831 Import Bidding and Market Parameters (FO8IBMP)¹.

Import Cost Verification

SCE prefers Option 2 over Option 1. As stated in prior comments, SCE supports cost verification for imports². Although the proposed Option 1 has the advantage of being a simpler approach and *may* limit the instances of “speculative supply” for bids above \$1,000/MWh or the ISO-calculated maximum import bid price, Option 1 can prevent an external supply from serving CAISO load when its legitimate costs exceed \$1,000/MWh or the ISO-calculated maximum import bid price, likely under conditions when such supplies are most needed if they do clear the market. Option 2, on the other hand, appears more aligned with how internal supply bids above \$1,000/MWh would be treated³. While Option 2 may impose some burden for the CAISO to validate, after the fact, the cost of those bids above \$1,000/MWh or the ISO-calculated maximum import bid price, SCE envisions such circumstances should be extremely rare.

Therefore, SCE believes that Option 1 may result in the most illiquid outcome of all the proposed scenarios, while Option 2, i.e., the ex post cost verification proposal, provides a more reasonable and accurate determination of the information that enters the price signal.

Market Parameters

SCE supports the CAISO’s proposal that virtual bids in excess of \$1000/MWh only be accepted if there exists verified physical bids in excess of \$1000/MWh.

¹ <http://www.aiso.com/InitiativeDocuments/RevisedStrawProposal-FERCOrder831-ImportBidding-MarketParameters.pdf>

² <http://www.aiso.com/InitiativeDocuments/SCEComments-ImportBidCostVerification-IssuePaperandStrawProposal.pdf>

³ <http://www.aiso.com/Documents/Aug30-2019-TariffAmendment-CommitmentCosts-DefaultEnergyBidEnhancements-ER19-2727.pdf>, at 28.

Option 1 should be rejected. This option will significantly undermine the cost verification requirement for bids above \$1,000/MWh, i.e., the cost verification requirement for bids above \$1,000/MWh is developed to prevent the market price being set by those bids above \$1,000/MWh without cost verification. However, Option 1 would adjust the market clearing price to \$2,000/MWh, by default, even if no bids are above \$1,000/MWh. Therefore, Option 1 should be rejected.

SCE prefers Option 2A over Option 2B. Option 2A is consistent with the need for import (and internal supply) bid cost verification. Option 2B, on the other hand, could result in a scenario where energy prices are always set at \$2,000/MWh whenever the penalty pricing triggers⁴, even if the highest-priced cleared bid is only at \$1,001/MWh, which appears as an irrational outcome.

⁴ SCE notes that the penalty pricing could trigger due to variety of reasons, not necessarily reflecting a scarcity event. For example, this filing explains some of the effects of unnecessarily high administrative penalty prices, available at https://www.caiso.com/Documents/Mar8_2013-TariffAmendment-TransmissionConstraintRelaxationER13-1060-000.pdf.