



Stakeholder Comments Template

System Market Power Mitigation

This template has been created for submission of stakeholder comments on the Straw Proposal for the System Market Power Mitigation. The paper, stakeholder meeting presentation, and all information related to this initiative is located on the [initiative webpage](#).

Upon completion of this template, please submit it to initiativecomments@caiso.com. Submissions are requested by close of business **January 10, 2020**.

Submitted by	Organization	Date Submitted
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Please provide your organization's general comments on the following issues and answers to specific requests.

1. Background and scope

Please provide your organization's feedback on background and scope of this initiative, as described within the straw proposal. Please explain your rationale and include examples if applicable.

SDG&E generally agrees with the CAISO's market power mitigation design principles with one clarification. SDG&E believes that CAISO should clarify that supply offers should be mitigated to marginal costs, only to the extent supply has market power but not to the extent that the transition of pricing signals to scarcity prices would be eliminated.

Prices should properly incent the added risks supply takes at times when the entire west is in a tight supply situation. This is particularly important if CAISO's market is constrained because bids on interties have run out. In this situation more supply may become available at the interties if prices have historically been allowed above the mitigated marginal costs. Although these prices may be higher than the mitigated price, we believe that this would be appropriate as it will incent bidding and increase supply. Much of the west may be just past their peak period and still in a tight supply situation when the CAISO peaks and imports will need sufficient incentives to justify bidding at this higher risk time. A pricing system that incents bidding into the CAISO market when there is a constraint at the interties may be more beneficial than the harm of slightly higher than mitigated prices within the CAISO's market. SDG&E recommends that CAISO analyze the tradeoff of higher prices vs. increased bids at the interties to determine what types of CAISO constraints benefits

most from pricing above mitigated marginal costs. Not all situations may justify prices above mitigated marginal costs.

2. Phased approach

Please provide your organization's specific feedback on the proposed phased approach, as described within the straw proposal. Please explain your rationale and include examples if applicable.

Without a clear need for any system-level market power mitigation, SDG&E does not believe that a first "quick implementation" phase is needed. System-level market power mitigation should not be implemented until the exercise of system market power is proven. The negative market consequences of mitigation are far outweighed by benefits.

3. Applying import-constrained trigger

Please provide your organization's specific feedback on reasonable ways to identify when the CAISO should consider itself import-constrained. Please explain your rationale and include examples if applicable.

SDG&E agrees that imports must be constrained before the exercise of system market power can occur. However, the use of just the 3 largest import paths (NOB, Malin & Palo Verde), which accounts for only 60% of all imports, as a proxy for all import paths may create too many false positives particularly when other import paths are still able to mitigate system market power. Other methods for defining imports as being constrained may be superior and should be evaluated (i.e. running out of import bids).

4. Pivotal Supplier Test

Please provide your organization's feedback on the proposal to apply the Pivotal Supplier Test, as described within the straw proposal. Please explain your rationale and include examples if applicable.

SDG&E requests that CAISO provide a more detailed analysis showing that a 3 pivotal supplier test is appropriate to trigger market power mitigation and does not have adverse consequences greater than benefits.

5. Applying mitigation to internal supply offers

Please provide your organization's feedback on the proposal to mitigate supply offers within the CAISO balancing authority, as described within the straw proposal. Please explain your rationale and include examples if applicable.

See #1 on SDG&E concerns on price signals approaching scarcity pricing.

6. Determining competitive LMP

Please provide your organization's feedback on the proposal to determine the competitive Locational Marginal Price (LMP) when the CAISO mitigates its balancing area, as

described within the straw proposal. Please explain your rationale and include examples if applicable.

See #1 on SDG&E concerns on price signals approaching scarcity pricing. SDG&E supports mitigating Energy Imbalance Market (EIM) bids that fail their market power screens to their default energy bid (DEB). Not the higher of DEB or competitive LMP.

7. Additional comments

Please offer any other feedback your organization would like to provide from the straw proposal and topics discussed during the web meeting.

SDG&E believes system level mitigation should only be implemented after the exercise of system market power is confirmed to be a problem. Market power mitigation measures must be properly designed to be effective without excessive costs or unintended consequences (i.e. distorting price signals or reducing import bids).