

7 Dec 2020

Shell Energy North America (US), L.P. Comments 2021Final Policy Initiatives Roadmap

Shell Energy North America (US), L.P. (“Shell Energy”) appreciate the opportunity to comment. Shell Energy supports the current slate of initiatives for 2021. Shell Energy supports postponing the System Market Power Mitigation (SMPM) protocol until scarcity pricing can be examined in a stakeholder process.

Shell Energy is committed to promoting fair, efficient and open competition in the wholesale energy markets as it pursues a low-carbon energy future while providing consumers choice and increasing transparency. Robust and transparent price signals are important to well-functioning markets. When actual scarcity conditions occur—for energy and/or ancillary services—market prices should reflect it to incent the grid of tomorrow through accurate price signals to generation and load. Shell Energy supports examining scarcity price formation in markets. This stakeholder process is timely, given recent changes to the RA program and considering the August 2020 reliability failures.

Shell Energy recommends the ISO compare the prices between IFM, FMM, HASP and RTD for energy and ancillary services as a starting point. The ISO should also examine how out-of-market actions (e.g. exceptional dispatch and/or operator interventions) contribute to erroneous price signals. Shell Energy believes this analysis should be completed before the SMPM is finalized before the ISO Board of Governors. SMPM final adoption should be delayed until the scarcity pricing initiative is complete.

Please also consider the following:

- The ongoing use of load biasing continues to distort prices and markets. The ISO should continue efforts to eliminate load biasing. Procurement of a DA flexibility product should give operators confidence to operate the grid without use of out-of-market tools.
- While the ISO initiated an effort to examine price differences between FMM, HASP and the RT market regarding imports that were not delivered to the ISO, the ISO was unable to establish definitive measures to better align FMM, HASP and RT. The ISO has prioritized energy imports; however, the underlying economic principles must be addressed so that an energy import dispatched on FMM pricing remains economic through RT. When RT prices drop and an energy import becomes uneconomic between FMM and RT, the incentive to deliver the import is diminished.
- The ISO should continue to prioritize the need to allow generation to bid start-up and minimum load costs to incorporate externalities such as wear caused by an increased number of start-ups and gas supply penalty costs.
- Efforts to reduce “load under-scheduling” should enact charges associated with additional RUC or imbalance energy charged to under-scheduled load. The ISO should seek cost-causation remedies and not additional penalty structures to discourage situations perceived as “load under-scheduling”. Any penalty structure should also take into consideration

lack of precision in behind-the-meter solar generation that affects load forecasting and temperature forecast variation.

- The ISO has prioritized accounting for GHG costs. It would be helpful for the ISO to prioritize establishment of an accounting process to determine GHG content of imbalance energy.
- While identified as a potential issue, mitigation of decremental market power should be a low priority until demonstrated in markets. ISO staff time could be better utilized on more pressing matters.

Respectfully submitted,

Ian White
Regulatory Manager
Shell Energy North America (US), L.P.
+1.509.964.1186 | ian.d.white@shell.com

###