



Stakeholder Comments Template

FERC Order 831 – Import Bidding and Market Parameters

This template has been created for submission of stakeholder comments on the FERC Order 831 – Import Bidding and Market Parameters draft final proposal that was published on April 23, 2020. The draft final proposal, stakeholder call presentation, and other information related to this initiative may be found on the initiative webpage at: <http://www.caiso.com/StakeholderProcesses/FERC-Order-831-Import-bidding-and-market-parameters>.

Upon completion of this template, please submit it to initiativecomments@caiso.com. Submissions are requested by close of business on **May 20, 2020**.

Submitted by	Organization	Date Submitted
<i>Mike Evans 858-526-2103</i>	<i>Shell Energy North America (US), L.P.</i>	<i>May 20, 2020</i>

Please provide your organization’s comments on the following issues and questions.

1. Power Balance Constraint Relaxation Pricing and Constraint Penalty Prices

Please state your organization’s position on the Power Balance Constraint Relaxation Pricing and Constraint Penalty Prices as described in section 4.1: (Please indicate Support, Support with caveats, Oppose, or Oppose with caveats)

Please provide additional details to explain your organization’s position and include supporting examples if applicable:

2. Screening import and virtual bids greater than \$1,000/MWh

Please state your organization’s position on screening import and virtual bids greater than \$1,000/MWh as described in section 4.2: (Please indicate Support, Support with caveats, Oppose, or Oppose with caveats)

Please provide additional details to explain your organization’s position and include supporting examples if applicable:

3. Application of screen to Resource Adequacy Imports

Please state your organization's position on the application of screening import and virtual bids greater than \$1,000/MWh to Resource Adequacy Imports as described in section 4.2.1: (Please indicate Support, Support with caveats, Oppose, or Oppose with caveats)

Please provide additional details to explain your organization's position and include supporting examples if applicable:

Apply either PV or Mid-C Maximum Import Bid Price Cap to all CAISO Scheduling Points – It would seem plausible to simply set the entire import bid cap to the same cap price (not north only or south only) if the trigger for either PV or Mid-C exceeds \$1,000/mwhr. Not only does this simplify the operation of the market and provide better regional transparency among multiple scheduling points and with multiple EIM entities, but it will likely avoid unanticipated consequences associated with wheel throughs and subsequent internal and external congestion. This should not affect normal markets where the energy prices cleared below the cap, as the lower prices represent available supply and competitive markets, which should continue to deliver the most economic supply of energy regardless of the cap.

4. Maximum Import Bid Price Calculation

Please state your organization's position on the Maximum Import Bid Price Calculation topic as described in section 4.2.2: (Please indicate Support, Support with caveats, Oppose, or Oppose with caveats)

Please provide additional details to explain your organization's position and include supporting examples if applicable:

Use Daily 10 a.m. ICE Hub Price Indices - The CAISO refers to the CCDEBE proposal regarding setting the "maximum import bid price", however, CCDEBE is generally associated with setting a gas index price, specific unit default energy bids and possible gas cost recovery when the CAISO gas index is different from the actual gas index.

As the CAISO validation of import bids will utilize Palo and Mid-C regional hub prices, it may be helpful to more specifically define how the maximum import bid price is used in this context. It would be important to use a timely publication of the hub daily index price, which is available at approximately 9 a.m. and is formally available via daily e-mail between 9:50 and 10:00 a.m. This ICE index reflects market activity which takes place between 5:30 a.m. to 7:30 a.m. daily and reflects the regional market daily trades for the next day. The CAISO could perform its verification of bids at or below 110% of the hub index using the daily ICE index and better assure that its validation will simply confirm market based transactions, and not suppress or alter prices at which market participants actually transacted.

For reference, in 2014, a CAISO dispatch which was not aligned with the daily gas price caused suppliers to incur very large gas costs which were not recoverable through extensive dispute processes with the CAISO and FERC. This illustrates the importance of using current daily pricing data to verify the import supply bid prices.

Consider not using SMEC to shape On-Peak/Off-Peak blocks into hourly prices – The CAISO should consider that the proposal to use SMEC to shape hourly caps from block prices represents a major disconnect from actual energy supply and prices for the day in question. For example, a distortion may occur when energy clears at the same price for the whole block, while the SMEC varies across the block. This leaves suppliers in a quandry when the artificial SMEC overlay causes the cap to drop below their cost. We encourage the CASIO to consider a simpler and much more transparent solution to set the price in all hours of a block to the Maximum Import Bid Price. While it is difficult to quantify the better accuracy and transparency of the more simplistic approach, markets in which suppliers desire to both recover their costs and to operate units so they have some contribution margin, as opposed to letting a unit sit idle, should provide for price mitigation below the cap through competitive dispatch and the desire to operate. And the cap is still in place just in case. The ISO always has the opportunity to go back and apply an hourly overlay to a block price exceedance of \$1,000 if analysis after several months or years of operation deem it necessary.

Additional comments

Please offer any other feedback your organization would like to provide on the FERC Order 831 – Import Bidding and Market Parameters draft final proposal.

DA Indices setting Maximum Import Bid Price should also set RT Maximum Import Bid Price – There is not a RT index available at PV or Mid-C, and it is reasonable that if DA prices are exceeding \$1000, then RT would align with DA. This would suggest that when a DA cap is set over \$1,000, that cap would also establish a RT cap at the same level.

Allow for Expedited Process for Suppliers to Provide a Cost Verified Energy Bid – The CAISO has proposed that a cost-verified energy bid for a resource-specific resource may also set the Maximum Import Bid Price over \$1000. Typically there is not sufficient time for a supplier to provide this information to the CAISO and for the CAISO to perform its validation in time for that bid to set the DA market clearing price. It would be helpful to establish a process to allow for a supplier to provide cost verification, likely in some standard pre-defined format or template, so that the CAISO could verify a bid prior to the DA market run.