



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>Bonnie Blair 202-585-6905</i>	<i>Cities of Anaheim Azusa, Banning, Colton, Pasadena, and Riverside, California ("Six Cities")</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)

Six Cities' Position: The Six Cities support with caveats this aspect of the CAISO's Draft Final Proposal.

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

Additional Details and Recommendation for Scarcity Price Signal: The Six Cities support the CAISO's proposal to apply a \$2,000/MWh power balance constraint relaxation penalty price and to scale other market constraint penalty prices relative to the \$2,000/MWh level only when (1) there is a submitted and cost-verified bid from a resource-specific resource higher than \$1,000/MWh, or (2) a CAISO-calculated maximum import bid price is greater than \$1,000/MWh.

The Six Cities also support the CAISO's proposal to establish market clearing prices at a level lower than the \$2,000/MWh power balance constraint relaxation penalty price when the \$2,000/MWh constraint relaxation price is in effect. Increasing market clearing prices to \$2,000/MWh whenever there is any cost-verified bid or calculated maximum import bid price greater than \$1,000/MWh, even by a small margin, likely would result in unreasonable price spikes and unjustified windfall payments to suppliers.

However, the Six Cities are concerned that establishing market clearing prices at the level of the highest-priced cleared economic bid under conditions when the \$2,000/MWh power balance constraint relaxation price is in effect (*i.e.*, when verified costs exceed \$1,000/MWh) would fail to send any scarcity pricing signal when scarcity conditions may be or are occurring, as noted in the discussion during the May 8, 2020 Market Surveillance Committee meeting. Accordingly, the Six Cities recommend setting the market clearing price at a level \$250/MWh above the highest cost-verified bid when the \$2,000/MWh power balance constraint relaxation penalty price is in effect. Recognizing the potential benefits of an effective energy shortage price signal, an adder of \$250/MWh above the maximum cost-verified bid seems sufficient to provide an effective shortage signal without resulting in massive windfalls.

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)

Six Cities' Position: The Six Cities Support with caveats this aspect of the CAISO's proposal.

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

Additional Details: The Six Cities support the CAISO's proposal to accept virtual bids or import bids greater than \$1,000/MWh (either for non-resource adequacy imports or for resource adequacy imports, as the Six Cities understand the proposal) only when the CAISO-calculated maximum import bid price is greater than \$1,000/MWh or there is a cost-verified resource-specific bid greater than \$1,000/MWh. As discussed above in response to Item 1, the Six Cities recommend setting the market clearing price at a level \$250/MWh above the highest cost-verified bid when the \$2,000/MWh power balance constraint relaxation penalty price is in effect to provide a scarcity price signal without resulting in unjustified price spikes or massive windfall payments to suppliers.

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)

Six Cities' Position: The Six Cities support the CAISO's proposal to reduce Resource Adequacy import bids greater than \$1,000/MWh to the CAISO-calculated maximum import bid price or \$1,000/MWh, whichever is higher.

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

Additional Details: The Six Cities agree with the application of more stringent screening criteria to Resource Adequacy imports in light of their obligation to be available to the CAISO Balancing Authority Area.

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)

Six Cities' Position: The Six Cities generally support the CAISO's proposed approach for calculating the maximum import bid prices based on published price indices at representative bilateral trading hubs shaped to hourly values derived from historical relationships between hourly SMECs and daily average SMECs.

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

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.

Six Cities' Comments: The issues raised in this initiative with respect to application of penalty prices when verified costs rise above \$1,000/MWH have highlighted the potential value of stepped or graduated pricing parameters to reflect scarcity conditions in a measured way, rather than allowing *de minimis* energy shortfalls (or apparent shortfalls) to drive extreme price spikes. The Six Cities join a number of other stakeholders in this initiative in urging the CAISO to prioritize an initiative to undertake a comprehensive review of scarcity pricing issues with the objective of developing graduated or stepped scarcity and/or penalty prices.