



Stakeholder Comments Template

System Market Power Mitigation

This template has been created for submission of stakeholder comments on the Revised 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 **May 4, 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. Pivotal Supplier Test Trigger

Please provide your organization's specific feedback on the ISO's proposal to perform the Pivotal Supplier Test when its Balancing Authority Area (BAA) is in the highest priced import-constrained region in the energy imbalance market.

The Six Cities support the CAISO's proposed pivotal supplier test trigger. The Six Cities previously commented in response to the Straw Proposal that the trigger, as then proposed, appeared to be excessively stringent such that it would not result in application of the three pivotal supplier test in sufficient intervals to meaningfully assess and mitigate market power. The trigger, as redesigned in the Revised Straw Proposal, addresses that concern. The Six Cities therefore concur with the CAISO's proposal to execute a three pivotal supplier test in market intervals when the balancing authority area power balance constraint shadow prices demonstrate price separation in the Energy Imbalance Market ("EIM") and the CAISO balancing authority area is in the highest priced import-constrained region.

2. Pivotal Supplier Test Design

Please provide your organization's specific feedback on the ISO's proposal to consider suppliers with resources within the CAISO BAA as potentially pivotal, treat economic import offers and offers from participating resources within the EIM as fringe supply, and account for net seller load-serving obligations.

Conceptually, the Six Cities support the design of the three pivotal supplier test. However, the Six Cities have a question regarding one aspect of the proposed test. Specifically, the Revised Straw Proposal states that the CAISO will consider as fringe supply (i) non-pivotal supply internal to the CAISO; (ii) offers from EIM balancing areas that are in the highest-price region along with the CAISO; and (iii) economic import offers that are not subject to import scheduling limits. (See, e.g., Revised Straw Proposal at 29-30.) Could there be overlap in counting fringe supply offers from imports and from the EIM? Does the CAISO have a way of ensuring that EIM offers and import offers are not double-counted?

3. Determining competitive LMP

Please provide your organization's feedback on the proposal to determine the competitive Locational Marginal Price (LMP) when the ISO mitigates bids for resources located within its BAA.

The Six Cities do not have comments on this element of the Revised Straw Proposal at this time.

4. Applying mitigation to internal supply offers

Please provide your organization's feedback on the proposal to mitigate pivotal supplier resource offers within the ISO's BAA.

The Six Cities likewise have discrete concerns with this element of the CAISO's Revised Straw Proposal. The CAISO proposes to mitigate only supply offers from pivotal suppliers within the CAISO balancing authority area if the pivotal supplier test is binding. The Six Cities agree with mitigating internal supply bids in such instances, but observe that the CAISO's rationale for limiting mitigation to only internal supply bids is predicated on assumptions about what external resources may do or the factors that may motivate those suppliers. It is unclear if these assumptions, leading the CAISO to conclude that import supply can never be pivotal and should not be mitigated, are universally accurate.

For example, the Revised Straw Proposal explains that the CAISO "should not mitigate offers from resources in balancing areas in the [EIM] that are included with the CAISO balancing areas in the highest price region because they likely represent fringe supply" (Revised Straw Proposal at 37) that is presumably unable to exercise market power. It is not obvious why this assumption is always correct. The Six Cities urge the CAISO to consider mitigating supply bids for resources in other parts of the highest-price region as well or to further explain its rationale for its assumption that such resources represent fringe supply.

The CAISO also assumes that import resources are universally able to exercise economic withholding by simply not offering import supply into the market and that such resources would not be exercising market power by submitting high market bids. But not all import resources are free to refrain from participation in the CAISO's market. The Six Cities request that the CAISO, at a minimum, consider mitigation for import Resource Adequacy ("RA") resources. Contrary to the CAISO's assertion at page 37 of the Revised Straw Proposal ("an import supplier could simply not offer import supply"), import RA resources do have a Must-Offer Obligation that, when applicable, would not appear to permit discretionary withholding.

With respect to the CAISO's assertion that development of Default Energy Bids ("DEBs") is not possible for import resources, this may be inaccurate, at least under the CAISO's current proposal in the RA Enhancements initiative. Although the RA Enhancements initiative is pending at this time, and, as such, the CAISO's proposals for RA imports are not final, it appears likely that the CAISO will adopt requirements for import RA that mandate source specification. The source specification requirement should make it possible to develop resource-specific DEBs, at least for RA imports, contrary to the statements in the Revised Straw Proposal asserting that it is "impractical to do this," because "imports are not linked to specific sources for which the CAISO has cost information." (Revised Straw Proposal at 38.)

Finally, the Six Cities question whether it could be possible for an EIM resource external to the CAISO balancing authority area to be mitigated as a consequence of the EIM test for market power, but for that same resource to not be mitigated for purposes of exporting to the CAISO and, if so, does that result make sense?

5. Additional comments

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

In general, the Six Cities agree with the description of the issue provided in the Revised Straw Proposal – namely, that the data the CAISO has analyzed from the past three years and predictions of tightening supply conditions in future years demonstrate an increase in the potential for exercise of system-level market power. The Six Cities therefore support the CAISO's efforts to design market power mitigation in anticipation of those conditions. The foregoing comments are provided with intent that the CAISO's system market power mitigation be sufficiently robust and capable of providing assurance to CAISO load-serving entities that the prices they pay for energy will not be influenced by the inappropriate exercise of market power.