



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, 2019**.

| Submitted by | Organization | Date Submitted |
|---|---|----------------|
| Bonnie S. Blair bblair@thompsoncoburn.com 202.585.6905 Meg McNaul mmcnaul@thompsoncoburn.com 202.585.6940 | The Cities of Anaheim, Azusa, Banning, Colton, Pasadena, and Riverside, California (the "Six Cities") | Jan. 10, 2020 |

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.

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

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.

Phasing this initiative as proposed by the CAISO appears to strike a reasonable balance between prompt implementation of market power mitigation measures at the system level in the Real Time Market while allowing more time to address the potentially more complex market power mitigation issues in the Day Ahead timeframe in conjunction with broader revisions to the Day Ahead Markets. The Six

Cities agree that adoption of market power mitigation measures is important in light of anticipated conditions of tightening supply, and such measures need to be effective while not deterring the participation of needed resources in the CAISO markets. Therefore, the Six Cities support taking the time necessary in order to carefully develop the appropriate structures and rules for addressing market power in the Day Ahead Market.

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.

The CAISO's reasoning for applying an import constraint trigger appears to be conceptually sound, but looking at intervals when all three major competitive entryways into the CAISO are simultaneously binding may be inappropriately stringent. In particular, the CAISO's own analysis identified a lack of competitiveness, or the potential for exercise of market power, in 201 hours during 2018 (Straw Proposal at 1 & n.1), but the CAISO states that the import constraint trigger would have resulted in application of the three pivotal supplier test for system-level market power in only a single hour during 2018 (id. at 24). This suggests that the import constraint test as currently proposed is too rigorous to be meaningful.

If the CAISO were to revise the trigger so that it applies during either a constraint at one of the three major entryways to the CAISO or when two such constraints are binding, during how many hours in 2018 would the CAISO have proceeded to the three pivotal supplier test? A somewhat loosened threshold may be more effective in allowing the CAISO to address potential market power.

Additionally, the CAISO should further consider the possibility that there may be conditions in which transmission limitations do not constrain its ability to access imports, but imports are nonetheless limited due to, for example, tight supply conditions throughout the interconnection. Such conditions could create opportunities for suppliers internal to the CAISO to exercise market power. Therefore, it may be appropriate to develop a second trigger for application of the pivotal supplier test, such as exhaustion of import supply bids, as the CAISO notes at pages 22-23 that some stakeholders support. At a minimum, stakeholders would benefit from information about whether this condition has arisen in the past coincident with any of the hours in which the CAISO identified a potential lack of competitiveness in its markets.

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.

On balance, the Six Cities concur that that the CAISO's proposal to use the three pivotal supplier test is reasonable. The CAISO should monitor application of the

test to evaluate if it is resulting in appropriate levels of mitigation (rather than over- or under-mitigation).

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.

The Six Cities support the CAISO's proposal to consider revising the application of mitigation to include only pivotal suppliers in a later phase of this initiative.

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.

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

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.

The Six Cities have no additional comments at this time.