

## **WPTF Comments on Commitment Costs and Default Energy Bid Enhancements Proposed Changes to Draft Final Proposal**

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### **About the Western Power Trading Forum**

The Western Power Trading Forum (WPTF) is a California nonprofit, public benefit corporation. It is a broad-based membership organization dedicated to enhancing competition in Western electric markets while maintaining the current high level of system reliability. WPTF supports uniform rules and transparency in order to facilitate transactions among market participants. The membership of WPTF includes load serving entities, energy service providers, scheduling coordinators, generators, power marketers, financial institutions, and public utilities, all of which participate actively in the California market, and other such markets in the West and across the country.

### **Comment Summary**

WPTF appreciates the opportunity to provide comments on the Commitment Costs and Default Energy Bid Enhancements proposed changes to the Draft Final Proposal that was discussed on a stakeholder call on December 21, 2017. WPTF continues to support the direction of the proposal in its entirety, and is especially pleased to see the ISO reflect aspects of the Joint Parties Counter Proposal (“Counter Proposal”). One of WPTF’s main concerns throughout this process was the inability to run simulations and test the impact of the proposed mitigation mechanism on suppliers prior to obtaining Board approval. The Counter Proposal enables a period by which the ISO and market participants can essentially “test” the effectiveness of the mitigation mechanism while ensuring suppliers are no worse off than they are today.

WPTF’s comments below primarily seek clarification on two aspects of the proposed changes that are in regards to elements of the design that have been discussed from the onset of this policy process. WPTF was shocked to see such a significant change as hourly start-up cost bidding being considered at this point in the policy process, especially since this is the first meeting that even discussed hourly bidding for start-up costs. Hourly start-up bidding is not a minor change and warrants significant discussion and vetting with stakeholders, which is not feasible within this initiative process. Any consideration for hourly startup cost bidding should be conducted in a subsequent stakeholder process such that it does not derail the implementation schedule of changes that have been vetted and discussed thus far.

Finally, WPTF supports the 12-month review as being an appropriate time for CAISO to consider providing EIM participating resources with the ability to more fully use opportunity costs in default energy bids. WPTF believes that the “Fourth DEB Option” as proposed by Powerex and supported by Seattle and others, is essential to the long-term success of the EIM.

### **Comment Details**

**(1) Lowering the mitigation level to 110% after the one-year assessment should only be implemented with an increase in the circuit breaker cap to 300%.**

WPTF greatly appreciates the ISO's proposed changes that align with the Joint Parties Counter Proposal outlined in the latest round of stakeholder comments. While the proposed changes reflect a 200% circuit breaker cap initially, rather than the Counter Proposal's 300% cap, WPTF is supportive of initially starting out at 200% given the 125% mitigation level and the ISO's commitment to evaluate the mitigation mechanism one year after implementation and setting the cap to 300% if the mitigation is found to be accurate. However, on the stakeholder call the ISO noted that lowering the mitigation level to 110% is not necessarily dependent on increasing the circuit breaker cap to 300%. In other words, after the one-year assessment, the ISO may lower the mitigation level to 110% and retain the 200% circuit breaker cap. This leaves market participants in the exact position WPTF, and the Joint Parties, strongly opposed in the Draft Final Proposal and motivated the counter proposal<sup>1</sup>.

It is WPTF's understanding that the ISO will conduct an assessment of the effectiveness of the market power mitigation mechanism one year after implementation through a public stakeholder process. WPTF appreciates the ISO committing to a specified timeline to conduct the assessment. If the assessment finds the mitigation mechanism is functioning as intended, then the mitigation level should be lowered to 110% and the circuit breaker cap increased to 300%. If the assessment finds the mitigation mechanism not functioning as intended by stakeholders, the ISO should retain the currently proposed levels (125% mitigation and 200% circuit breaker cap) and endeavor to improve the mitigation mechanism through a subsequent stakeholder process.

**(2) The ISO needs to commit to conducting a stakeholder process next year to evaluate the necessary optimization changes such that resources will only be committed in hours where a minimum load cost bid is submitted.**

As discussed in previous workshops and on stakeholder calls, it is WPTF's understanding that there is no explicit constraint in the IFM or certain real-time unit commitment processes that will ensure a resource is only committed during hours where the supplier has submitted a minimum load cost bid. WPTF continued to voice concern to this regard, recognizing that it should not delay progress and implementation of the current proposal, but should be addressed through another initiative. Thus, WPTF appreciated that the ISO including such an initiative in one of the draft Stakeholder Initiative Catalogs but it was subsequently removed from the Final 2018 Stakeholder Initiative Catalog with no changes in scope to the current initiative nor explicit commitment by the ISO. WPTF continues to support moving forward with the design as currently structured to facilitate hourly minimum load cost bidding but, again, requests that the optimization changes be evaluated in a subsequent stakeholder process.

**(3) Hourly start-up cost bidding should not be considered this late in the policy design process.**

While WPTF continually advocates for bidding flexibility, any significant market design changes should be thoroughly vetted and discussed with stakeholders. Based on the December 21 call, WPTF understands that the ISO is now considering hourly bidding for start-up costs. The December 21, 2017 stakeholder call was the first time the ISO discussed such a change, which is just over one month before the Revised Draft Final Proposal is scheduled to be posted and is not

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<sup>1</sup>[Joint Parties Counter Proposal](#)

a minor change by any means. While on face value, hourly start-up costs could be seen as improving bidding flexibility. However, stakeholders have been denied the opportunity to have a robust discussion and evaluate if in fact what is being considered would improve bidding flexibility. The brief discussion that took place on December 21 would suggest that there are some significant hurdles and concerns that need to be properly vetted. For example, WPTF understands that if a resource has a start-up bid of \$10,000/start for HE 1-12 and \$20,000/start for HE 13-24, when the SCUC run evaluating HE 11-14 is executed, it will only see \$10,000/start for HE 11-14 even though \$20,000/start was submitted for HE 13 and 14. IF the resource is started in HE 13, the market will see and use the \$10,000/start cost rather than the submitted \$20,000/start cost. Thus, there would be a significant misalignment between the start-up cost bid used to issue a start-up instruction and on which the resource would receive cost recovery. A more extreme example is if the resource does not submit a start up bid for HE 1-12 indicating it does not want to be committed in those hours. The ISO has yet to discuss/confirm that the optimization would see a \$0 start-up bid in hours without a bid, thus starting a resource in an hour that did not have a bid and evaluate cost recovery on \$0 per start. The misalignment of bids used for hours in which the bid did not apply is further exacerbated when extended to the day-ahead market. In the day-ahead market a single bid in HE1 would supersede any bids submitted in HE 2-24. WPTF encourages the ISO to move forward with the items that have been in scope for this initiative such that implementation can occur sooner rather than later, and defer discussion of hourly start-up bidding at this time.