

**Western Power Trading Forum Comments on LMPM Enhancements 2018 Straw Proposal**  
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### **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 to facilitate transactions among market participants. The membership of WPTF and the WPTF CAISO Committee responsible for providing these comments include CAISO and EIM entities, load serving entities, energy service providers, scheduling coordinators, generators, power marketers, financial institutions, and public utilities that are active participants in the California market, other regions in the West, and across the country.

### **Summary**

WPTF appreciates the opportunity to submit comments on the CAISO's Local Market Power Mitigation Enhancements 2018 issue paper and straw proposal and September 19 stakeholder call. WPTF supports the CAISOs' efforts to improve the market power mitigation process, conditions under which EIM resources are subject to mitigation, and the determination of mitigated bids such that they can more accurately reflect opportunity costs. The following comments focus more on the overall objectives of the initiative and general approaches thus far as WPTF believes additional discussion is needed prior to opining on any of the proposed elements at this point.

Our comments below address the following items in detail:

- WPTF appreciates the proposed mitigation changes intended to result in more accurate and appropriate mitigation of EIM resources. WPTF looks forward to discussing the different options, especially those discussed at the recent MSC meeting.
- WPTF is supportive of ensuring EIM entities can fully reflect willingness to sell under competitive conditions, and when mitigation is applied, including being able to reflect time-based and bilateral opportunity costs. WPTF provides a couple technical questions for discussion at the upcoming workshop.
- WPTF believes it's important to maintain equitable treatment of resources as differences can introduce discriminatory aspects and unnecessary complications under an expanded footprint.

### **Detailed Comments**

#### **Mitigation Framework Enhancements**

WPTF appreciates the CAISO's efforts thus far to address the concern whereby EIM entities are, due to the current application of mitigation and default energy bids, essentially forced to sell power at a price below what the entity would be willing to sell. Key to this discussion is fully understanding what it means to be mitigated in a voluntary market and understanding the intersection between the bilateral concept of FERC approved market-based rates and the organized market concept of local market power mitigation. WPTF, like many stakeholders, is struggling with whether it makes sense for a voluntary market participant with FERC approved market-based rates to be forced to sell at a mitigated offer price that is below the price it was willing to sell in the bilateral market. WPTF believes answering this

question will entail the CAISO and stakeholders considering what it means to join EIM, what local market power means within the context of a voluntary market, and whether FERC's approval of market-based rates should have an impact on EIM/CAISO seam rules.

The CAISO has proposed several modifications that could be implemented to address EIM entities' concerns, and more options were identified at the September 28<sup>th</sup> MSC meeting. Based on the MSC discussion, WPTF believes there is likely more than one viable option for the CAISO and stakeholders to consider and may include several modifications that work together. For example, the MSC noted potentially taking into consideration the diversity benefit when setting the MW limit at which to freeze the transfer limit. This could be done in addition to eliminating the balance of the hour mitigation rules. WPTF encourages the CAISO to consider and discuss with stakeholders' these various options and the reason the CAISO believes they should be considered at the upcoming workshop.

#### 4<sup>th</sup> DEB Option

WPTF agrees that EIM entities should be able to reflect opportunity costs of energy limited resources within default energy bids, including opportunity costs that arise from bilateral market opportunities and/or due to daily limitations. WPTF appreciates the progress the CAISO has made in this area, especially recognizing that EIM energy limited resources face bilateral market opportunities that contribute to opportunity costs. Allowing EIM energy limited resources to include opportunity costs in its Default Energy Bid will result in more optimal use of the resource over the limitation horizon.

WPTF understands that given the complex set of limitations and bilateral market opportunities EIM energy limited resources face, developed a precise formulation is challenging. As the CAISO continues to flesh out the details of the proposal, WPTF believes it would be informative to have a better understanding of the mix of limitations that exist within the EIM. Knowing the mix of limitations will enable the proposal to be designed in such a way to efficiently address all the cases.

Currently, the CAISO provides three DEB options to all resources, regardless of resource type or within which BAA it resides. As the CAISO moves forward developing a 4<sup>th</sup> DEB option, WPTF believes it's important for the CAISO to maintain equitable treatment among all resources which would include allowing other resource types to opt for the 4<sup>th</sup> DEB option. Developing a DEB option that is available to EIM hydro resources only may be viewed by FERC as discriminatory. Additionally, it could introduce unnecessary complexities if the CAISO expands its footprint at some point. In practice, it may be that only EIM hydro resources opt for the 4<sup>th</sup> DEB option but maintaining the technology agnostic and equitable treatment is a fundamental aspect of the CAISO market.

#### Technical Questions

WPTF understands the CAISO is still fleshing out some of the details of the proposal but provides the following input for consideration when developing the more technical details. The upcoming workshop could provide an opportunity for these more detailed questions to be discussed.

- **Should the 4<sup>th</sup> DEB take into consideration more than just the time horizon over which the resource can generate?** As brought up at the recent MSC meeting, the current methodology solely considers the length of time a resource can store water and bases the DEB on the highest priced index over that time period. However, it may be beneficial to also consider a lower bound on the time horizon that is considered. For example, if a resource can store its fuel/water for up to 6-months but has enough fuel such that it can generate at maximum output for two full months, should the DEB only consider a subset of the 6 monthly indices?

- **How frequently should the DEBs be updated?** Hydro resources today with negotiated opportunity costs can approach the CAISO to update the limitations and received an updated opportunity cost. In addition to rerunning the DEB as frequently as when the indices used change, the CAISO may also want to update the calculation when the EIM entities inform the CAISO that the limitations have materially changed, and thus the opportunity cost. This will enable the resulting DEB and opportunity costs to reflect any changes in market conditions that were not reflected in the indices originally used to determine the DEB.

#### Reference Level Adjustments and Gas Price Indices

WPTF appreciates the CAISO reconsidering reference level adjustments above the reasonableness threshold to be reflected in the real-time market rather than solely relying on the after-the-fact cost recovery process. As noted by the CAISO, this process will be manually intensive, which raises the question of how many adjustment requests can the CAISO review prior to the real-time market. WPTF imagines it could be the case that the CAISO receives multiple consultation requests such that not all can be completed in sufficient time to review and approve/reject prior to be submitted into the real-time market. Has the CAISO given thought as to how it will determine which to review first? Will it be based on a first-come-first-served basis? Additional discussion on what the process would entail both from the market participants requesting the consultation and the CAISO reviewing the adjustment would be beneficial to ensure an efficient and robust process.

WPTF thanks the CAISO for consideration of our comments.