

**UNITED STATES OF AMERICA  
BEFORE THE  
FEDERAL ENERGY REGULATORY COMMISSION**

**California Independent System                    ) Docket No. ER21-1192-000  
Operator Corporation                                )**

**MOTION TO INTERVENE AND COMMENTS  
OF THE DEPARTMENT OF MARKET MONITORING  
OF THE CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION**

Pursuant to Rules 212 and 214 of the Rules of Practice and Procedure of the Federal Energy Regulatory Commission (“FERC” or “Commission”), 18 C.F.R. §§385.212, 385.214, the Department of Market Monitoring (“DMM”), acting in its capacity as the Independent Market Monitor for the California Independent System Operator Corporation (“CAISO”), submits this motion to intervene and comment in the above-captioned proceeding.

**I. MOTION TO INTERVENE**

DMM respectfully requests that the Commission afford due consideration to these comments and motion to intervene, and afford DMM full rights as a party to this proceeding. Pursuant to the Commission’s Order 719, the CAISO tariff states that “DMM shall review existing and proposed market rules, tariff provisions, and market design elements and recommend proposed rule and tariff changes to the CAISO, the CAISO Governing Board, FERC staff, the California Public Utilities Commission, Market Participants, and other interested entities.”<sup>1</sup> As this proceeding involves CAISO tariff provisions which affect the efficiency of CAISO markets, it implicates matters within DMM’s purview.

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<sup>1</sup> CAISO Tariff Appendix P, Section 5.1.

## II. COMMENTS

In this tariff filing, the ISO proposes revisions to the market penalty prices and the allowable bidding of imports and virtual bids over the soft offer cap of \$1,000/MWh.<sup>2</sup> Under rules already set to go into effect by March 21, 2021, the power balance penalty price will be set to \$2,000/MWh and non-resource specific non-resource adequacy imports (hereafter referred to simply as imports) will be able to bid over the soft offer cap in all hours. This change will significantly reduce the protection the soft offer cap provides against uncompetitive conditions and market power within the Western EIM and ISO markets.

Under the rules proposed by the ISO in this tariff filing, the penalty price would rise above the soft offer cap only when either verified costs or the “maximum import bid price” exceed the soft offer cap. The ISO would also only accept import bids over the soft offer cap when the maximum import bid price exceeds the cap. These changes will greatly reduce the number of hours where the penalty price is set to \$2,000 and imports can bid over the soft offer cap. This will keep the protection against uncompetitive conditions and market power provided by the soft offer cap in place for the vast majority of hours. While keeping this protection, imports and resources can still bid above the soft offer cap when their short run marginal costs exceed, or are to likely exceed, the soft offer cap.

DMM supports the ISO’s filing. The filing balances reasonable protection against uncompetitive conditions and market power while allowing resources to bid

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<sup>2</sup> *Tariff Amendment to Enhance Market Parameters and Import Bidding Related to Order No. 831*, California Independent System Operator Corporation, Docket No. ER21-1192-000. (“Transmittal Letter”).

above the soft offer cap during extreme market conditions where short run marginal costs are likely to be high.

Events in late summer of 2020 and February 2021 show the proposed “maximum import bid price” would work reasonably well. It would have allowed the penalty price and import bids to rise over the soft offer cap during tight conditions and when the marginal costs of imports likely could have exceeded the soft offer cap.<sup>3</sup> The ISO will use indices from the Intercontinental Exchange (ICE) to calculate the maximum import bid price. As shown by the ISO, these indices generally have trading liquid enough to support their use by the ISO.<sup>4</sup>

### **III. CONCLUSION**

DMM respectfully requests that the Commission afford due consideration to these comments as it evaluates the proposed tariff provisions before it.

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<sup>3</sup> Department of Market Monitoring *Comments on FERC Order 831 – Import Bidding and Market Parameters: Final Proposal*, September 10, 2020:  
<http://www.caiso.com/Documents/DMMCommentsonFERCOrder831-ImportBiddingandMarketParametersFinalProposal-Sep102020.pdf>

<sup>4</sup> Transmittal Letter p.22.

Respectfully submitted,

**/s/ Eric Hildebrandt**

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Independent Market Monitor for the California  
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Dated: March 15, 2021

## CERTIFICATE OF SERVICE

I hereby certify that I have served the foregoing document upon the parties listed on the official service lists in the above-referenced proceedings, in accordance with the requirements of Rule 2010 of the Commission's Rules of Practice and Procedure (18 C.F.R. § 385.2010).

Dated at Folsom, California this 15<sup>th</sup> day of March, 2021.

*/s/ Ryan Kurlinski*  
Ryan Kurlinski