



Comments of Pacific Gas & Electric Company

System Market Power Mitigation – Initiative Scoping Document

| Submitted by | Company | Date Submitted |
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| Jared Rist (415-973-3764) | Pacific Gas & Electric | November 4, 2019 |

Pacific Gas and Electric Company (PG&E) offers the following comments on the California Independent System Operator’s (CAISO) System Market Power Mitigation Initiative Scoping Document.

PG&E appreciates CAISO’s Initiative Scoping Document on System Market Power Mitigation which furthers a much needed conversation about how to thoughtfully implement system-level market power mitigation. PG&E believes this issue deserves its own stakeholder initiative and that the CAISO should initiate a stakeholder process when it briefs the Board of Governors at the November 2019 meeting.

System market power mitigation is vital to ensure competitive outcomes in a market that has become structurally uncompetitive at the system level in a higher number of hour and intervals. When the market is structurally uncompetitive, market power can be exercised, and uncompetitive bidding practices can successfully drive up the price. The CAISO has stated as one of its principles that energy prices produced by its markets should reflect the marginal cost of units on its system, and to this end more work needs to be done on improving the market design to ensure actual market prices reflect this principle. It is important that a stakeholder process be kicked off to ensure that stakeholders have a chance to formally address this issue and work together to find a solution.

The major new element that this scoping document introduced was the potential to have a Phase 1 and a Phase 2 implementation of system market power mitigation. PG&E appreciates the consideration of two phases here especially to the extent that the CAISO stated it would do this to enable quicker implementation of a broader Phase 1 while a more comprehensive Phase 2 is considered.

Phase 1 of the scoping document generally restates what the CAISO included in its Conceptual Design Proposal posted on September 19th. The CAISO held a working group meeting on September 20th where this design proposal was discussed, and certain concerns were shared. PG&E’s specific comments at the time on this part of the proposal which is now in this Scoping

Document considered Phase 1 have been submitted and posted on the CAISO's website. PG&E would like to reiterate some of those comment and add onto it here.

1. PG&E still believes it is insufficient to only consider mitigating internal resources and should consider mitigating import Resource Adequacy (RA) resources. In light of the recent CPUC clarification on import RA requirements, mitigating import bids will be much simpler now, as the imports will be resource specific. If imports that are bidding into the market are resource specific, then mitigating these offers could be consistent with mitigating internal offers.

2. PG&E believes that that not all three major interties need to bind simultaneously as a necessary condition to consider the market as uncompetitive at the system level. When one of these major interties is binding there is competitive supply that would be restricted from participating in the CAISO markets because of the limited capacity of the intertie. We would consider the CAISO then to be import constrained off of this one major intertie and CAISO should evaluate the pros and cons of needing all three major interties need to bind as a part of the process.

3. CAISO should consider the cost and benefit of also applying system-level market power mitigation to the day-ahead market (DAM) instead of just the real-time market (RTM) and fast-track Phase 2 if needed. PG&E believes mitigation in the DAM is needed but is okay with implementing system market power mitigation only in the real time as Phase 1. However, we would like to see an expedited kick off of Phase 2 once Phase 1 is complete. The DAM mitigation is important, and though significant changes currently being considered to the design of the Day-Ahead market, it is unclear how long the Day-Ahead Market Enhancements and the Extended Day-Ahead Market initiatives will take.

PG&E understands and appreciates the thinking behind a two phased initiative. A stakeholder initiative separated in two phases can help stakeholders work through some of the complicated issues while implementing the simpler measures in an expedited fashion. Our concern is that if Phase 2 of system market power mitigation is not kicked off until after EDAM and DAME, this could take many years and would likely not occur in a timeframe that would address increased market power. We think the first phase can be implemented quickly and simultaneously the second phase can be worked on with considerations given to the changes contemplated in EDAM and DAME without waiting for full completion of those initiatives.