



Stakeholder Comments Template

System Market Power Mitigation – Working Group

This template has been created for submission of stakeholder comments on the System-Level Market Power Mitigation – Working Group that was held on September 20, 2019. The workshop, stakeholder meeting presentations, and other information related to this initiative may be found on the initiative webpage at:

<http://www.caiso.com/Pages/documentsbygroup.aspx?GroupID=8DD12CEA-E8B7-4075-A069-1AD1702E4802>

Upon completion of this template, please submit it to initiativecomments@caiso.com. Submissions are requested by close of business on **October 9, 2019**.

Submitted by	Organization	Date Submitted
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Please provide your organization’s comments on the following issues and questions.

SMUD appreciates this opportunity to comment on the CAISO’s System Level Market Power Mitigation proposal. As an active participant in the CAISO’s Day Ahead and Real-Time Markets, including participation in the EIM, SMUD has a direct interest in the outcome of this initiative.

1. Proposal to apply system-level market power mitigation to the CAISO balancing area

Please provide your organization’s feedback on *the proposal to apply system-level market power mitigation to the CAISO balancing area*. Please explain your rationale and include examples if applicable.

The CAISO currently tests for market power at a local level, and the CAISO is recommending that tests take place at the CAISO system level, which includes all EIM entities. The CAISO notes that one impetus for this proposed change is the concern that supplier market power may increase due to the expected tightening of market supply in 2021. During the 9/20 meeting, CAISO Staff stated that by 2021 the difference between available Resource Adequacy capacity and the peak load is expected to equal the maximum import capacity. While this imminent market tightness is a concern, the expansion of the market power mitigation process from

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local to system will exacerbate rather than ease this market tension, because mitigation will (1) incent those suppliers who have other market opportunities to offer power into other markets and (2) reduce the incentive for new suppliers to enter the market. Expanding mitigation from the local to the system level, therefore, would reduce the supply of resources at a time when the market needs to signal the need to increase supply.

2. Proposal to only apply system-level market power mitigation to the real-time market

Please provide your organization's feedback on *the proposal to only apply system-level market power mitigation to the real-time market*. Please explain your rationale and include examples if applicable.

3. Proposal to consider interactions with the energy imbalance market

Please provide your organization's feedback on *the proposal to consider interactions with the energy imbalance market*. Please explain your rationale and include examples if applicable.

No new rules are proposed for the EIM market power mitigation, however, should the CAISO move forward with expanding market power mitigation from local to system-wide within its balancing authority (BA), there will be consequences for the EIM given certain conditions. All EIM suppliers would be subject to mitigation when the CAISO deems that the CAISO BA is constrained and supplier market power exists. This potential exposure to additional supplier mitigation (EIM entities are already tested for market power mitigation within their BA) may discourage supplier participation in EIM, which would adversely impact all EIM participants, including the CAISO.

4. Competitiveness evaluations and economic import offers

Please provide your organization's feedback on the topic of *competitiveness evaluations and economic import offers*. Please explain your rationale and include examples if applicable.

5. Potential measures the CAISO could take and likely market effects

Please provide your organization's feedback on *the potential measures the CAISO could take and likely market effects*. Please explain your rationale and include examples if applicable.

6. Additional comments

Please offer any other feedback your organization would like to provide on the topics discussed during the workshop.