

## Stakeholder Process: Decision on Local Market Power Mitigation Enhancements

# Summary of Submitted Comments

Stakeholders submitted three rounds of written comments to the ISO on the following dates:

- Round One, 10/18/10
- Round Two, 04/05/11
- Round Three, 05/24/11

Stakeholder comments are posted at: <http://caiso.com/2833/2833a0e043550.html>

Other stakeholder efforts include:

- Conference calls
  - 03/25/11 – Conference call to discuss the straw proposal
- In person meetings
  - 10/08/10 – Market Surveillance Committee meeting to discuss issue paper
  - 05/13/11 – Meeting to discuss the draft final proposal
- Papers and analysis
  - 09/29/10 – Issue paper – Local Market Power Mitigation published
  - 03/18/11 – Straw proposal - Local Market Power Mitigation published
  - 03/13/11 – *White Paper – Proposed Modifications to Methodology for Competitive Path Assessment for Local Market Power Mitigation* published
  - 05/06/11 – Draft final proposal – Local Market Power Mitigation published
  - 05/09/11 – *A Retrospective Analysis of Local Market Power Mitigation Enhancements* published
  - 5/24/11 - Draft final proposal – Dynamic Competitive Path Assessment published
  - 06/23/11 – Addendum to retrospective analysis published

Management Proposal	PG&E	SCE	NRG Energy	Western Power Trading Forum	Management Response
<p>Change the current mitigation process to use the LMP decomposition methodology to evaluate potential market power.</p>	<p>Support</p> <p>Support the methodology; however concerns remain with some assumptions that were used.</p>	<p>Conditional</p> <p>Encouraged by the proposal but unable to fully support until more analysis is provided.</p>	<p>Support</p> <p>Generally supports the direction of the LMPM enhancements.</p>		<p>Management provided stakeholders with several papers explaining the proposal. Additional analysis of the LMP decomposition methodology was provided in the retrospective analysis and its addendum.</p>
<p>Endeavor to implement the day-ahead dynamic competitive path assessment concurrent with the LMP decomposition methodology implementation. Implement the real-time dynamic competitive path assessment before the end of 2012.</p>	<p>No Comment</p>	<p>Oppose</p> <p>Supports a staggered implementation to ensure the local market power mitigation is functioning properly before the dynamic competitive path assessment is implemented.</p>	<p>Support</p> <p>Strongly support implementing the local market power mitigation and dynamic competitive path assessment together.</p>		<p>The April 2012 implementation date is directly driven by a FERC order related to elements of the LMPM proposal. The dynamic competitive path assessment for the day-ahead market will be implemented within six weeks of local market power mitigation implementation (possibly concurrent). The real time dynamic competitive path assessment will be implemented before the end of 2012.</p>

Management Proposal	PG&E	SCE	NRG Energy	Western Power Trading Forum	Management Response
<p>The competitive path assessment will only test binding constraints.</p>	<p>Supports  Supports the use of binding constraints in the pre-market runs. Performing the assessment in the real time pre-dispatch market run alleviates previous concern.</p>	<p>Supports  Suggests the ISO also test constraints that are near binding in the pre-market run as a better indicator of what may become congested in real time.</p>	<p>No Comment</p>	<p>Supports</p>	<p>The Department of Market Monitoring is comfortable with the level of accuracy suggested by analysis of using only binding constraints in the pre-market run.</p>
<p>There will be no default action if the competitive path assessment does not successfully run in the integrated forward market or the hour-ahead scheduling process. If the path assessment fails in real-time the ISO will do a post market price correction on the financially binding intervals.</p>	<p>No Comment</p>		<p>Support  NRG &amp; Western Power Trading Forum will support any method that will provide a reasonable estimation of what the market would have produced had the competitive path assessment run correctly.</p>		<p>Management's draft final proposal accommodates the NRG and Western Power Trading Forum's previous concerns. If the competitive path assessment fails in the real time pre-dispatch market run, it will be re-run after the real time market concludes. If any binding constraints are found to be non-competitive the ISO will mitigate bids and re-run the market to obtain corrected prices. This approach will better simulate what the real-time market would have done if the competitive path assessment had not initially failed.</p>