



## Stakeholder Comments Template

### Price Performance Analysis

This template has been created for submission of stakeholder comments on the Price Performance Analysis white paper that was published on April 3, 2019. The paper, Stakeholder meeting presentation, and other information related to this initiative may be found on the Miscellaneous Stakeholder Meetings webpage at:

<http://www.caiso.com/informed/Pages/MeetingsEvents/MiscellaneousStakeholderMeetings/Default.aspx>.

Upon completion of this template, please submit it to [initiativecomments@caiso.com](mailto:initiativecomments@caiso.com).

**Submissions are requested by close of business April 18.**

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

#### 1. Scope

The Price Performance Analysis effort is intended to ensure ISO markets produce prices that incentivize performance and reflect system conditions. Please provide your organization's feedback on the scope of this effort. Specifically, what should be included, and what should be excluded. Please explain your rationale and include examples, if applicable.

Regarding the scope of the initiative, the CAISO should also examine the impact of inserting bids associated with Reliability Demand Response Resources (RDRR) into the market model, as it will have an affect on the market price.

Currently, per tariff section 34.7, the CAISO will insert RDRR bids into the market model after the CAISO issues a Warning and "prior to a need for the CAISO to attempt to obtain assistance from neighboring Balancing Authorities or imports".

On April 11, CAISO filed with FERC a request to remove the language pertaining

to assistance from neighboring Balancing Authorities<sup>1</sup>. Currently, the tariffed range of bid prices for RDRR resources is from 95%-100% of the bid price cap.<sup>2</sup> As explained in more detail below, this could cause a decrease in the market clearing price as scarcity increases, an illogical result.

There is evidence that resources associated with the resource adequacy program are bidding at the bid cap. The CAISO's Department of Market Monitoring issued a report noting that "over 500 MW of resource adequacy import capacity was bid-in near or at the bid cap of \$1,000/MWh" on July 24, 2018 and September 1, 2018, when supplies were tight and very high marginal prices occurred.<sup>3</sup> The report focused only on import resource adequacy from the day-ahead market, but it provides an example showing that resource adequacy participants are bidding at the bid cap and it is reasonable to expect this is occurring in real-time. The CPUC's Energy Division issued a report on the Demand Response Auction Mechanism which noted that these third-party demand response providers bid at much higher prices than the utilities' demand response program in the day-ahead market.<sup>4</sup> While these studies focused on day-ahead bid prices, it is reasonable to expect these resources to bid a similar price level in real-time. Therefore, considering all resource adequacy resources, the amount of total resource adequacy resources bidding at the bid cap in real-time could be higher than 500 MW.<sup>5</sup>

If there are a large number of resources bidding at the bid cap, prices could reach \$1000/MWh before a CAISO issues a Warning, as the market exhausts available economic supply. Upon issuing a Warning, the CAISO would then insert the RDRR bids into the model. If those bids are at 95% of the bid cap, then this could cause the market price to decrease as scarcity increases, which is an

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<sup>1</sup> [Apr 11, 2019 Tariff Amendment - Reliability Demand Response Resource Dispatch Clarification \(ER19-1561\)](#).

<sup>2</sup> CAISO tariff 30.6.2.1.2.1.

<sup>3</sup> CAISO Department of Market Monitoring, Import Resource Adequacy, September 10, 2018. Page 3.

<sup>4</sup> CPUC Energy Division, *Energy Division's Evaluation of Demand Response Auction Mechanism*, Final Report (public), January 4, 2019, at 62.

<sup>5</sup> The report focused on import resource adequacy bids in the day-ahead market, which currently does not have a real-time must offer requirement if they do not receive a day-ahead award. However, the CAISO is considering changing the rules for a real-time must offer requirement regardless of the day-ahead market results.

illogical result. Since RDRR programs are for reliability, they should also be selected after other economic bids, not before.

The CAISO should add to the scope of this initiative the impact of RDRR bids on price formation.

## **2. Drivers**

The Price Performance Analysis initiative white paper examined the potential drivers to be included within the analysis. Please provide additional drivers to consider, if any. Please explain your rationale and include examples, if applicable.

## **3. Data Requests**

Please provide your organization's feedback on any specific data requests. Please explain your rationale and include examples, if applicable.

### **Additional comments**

Please offer any other feedback your organization would like to provide on the Price Performance Analysis white paper.