

Stakeholder Process: Commitment Costs and Default Energy Bid Enhancements**Summary of Submitted Comments**

Stakeholders submitted eight rounds of written comments to the ISO under the Commitment Costs and Default Energy Bid Enhancements stakeholder initiative on the following dates:

- Round One (comments on Issue Paper), 12/09/2016
- Round Two (comments following working group discussions March 30 and April 20, 2017), 05/03/2017
- Round Three (comments on Straw Proposal), 07/20/2017
- Round Four (comments on Revised Straw Proposal and planned revisions to Revised Straw Proposal), 08/15/2017
- Round Five (comments on Draft Final Proposal), 09/11/2017
- Round Six (comments on Joint Parties alternative proposal), 09/26/2017
- Round Seven (comments on planned revisions to Draft Final Proposal), 01/11/2018
- Round Eight (comments on Revised Draft Final Proposal), 02/27/2018

Stakeholder comments received from:

Arizona Public Service Co. (APS), Environmental Defense Fund (EDF), Idaho Power Corporation, NRG Energy, Inc. (NRG), NV Energy (NVE), OhmConnect, Pacific Gas & Electric (PG&E), PacifiCorp (PAC), Portland General Electric (PGE), Powerex, Puget Sound Energy, San Diego Gas & Electric (SDG&E), Seattle City Light (SCL), Six Cities, Southern California Edison (SCE), The Joint Parties, Western Power Trading Forum (WPTF), and Department of Market Monitoring (DMM).

Stakeholder comments are posted at:

Commitment Costs and Default Energy Bid

Enhancements: http://www.caiso.com/informed/Pages/StakeholderProcesses/CommitmentCosts_DefaultEnergyBidEnhancements.aspx.

Other stakeholder efforts include:

Commitment Costs and Default Energy Bid Enhancements:

- Conference call, 11/22/2016
- Working group discussion, 03/30/2017
- Working group discussion, 04/20/2017
- Meeting, 07/06/2017
- Working group discussion, 08/03/2017
- Conference call, 08/11/2017
- Conference call, 08/30/2017
- Conference call, 12/21/2017
- Conference call, 02/01/2018

Comments of following Market Participants	Introduce market-based commitment cost bids subject to caps and mitigation under uncompetitive supply conditions	Move from daily to hourly minimum load offers	Allow energy and commitment cost reference levels adjustments in day-ahead or real-time subject to verification	Provide after-the-fact cost recovery of costs that failed automatic screen	Recalibrate penalty price parameters	Permanently use approximation of next day gas price in daily gas price index and publish two day-ahead advisory schedules
Arizona Public Service Co. (APS)	Strongly supports market-based commitment cost bids and dynamic market power mitigation	Strongly supports. This allows suppliers to accurately reflect costs that vary by hour	Strongly supports because Monday gas price differences will be reflected in bids	No comment	No comment	No comment
Environmental Defense Fund (EDF)	Strongly supports market-based commitment cost bids and dynamic market power mitigation	Supports. Allows bidding flexibility to reflect suppliers' costs	Supports. This is a vital bidding enhancement to advance the integration of renewables	Supports. Additional avenue for suppliers to recover actual costs	No comment	No comment

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NRG Energy, Inc. (NRG)	<p>Strongly supports market-based commitment cost bids and dynamic market power mitigation</p> <p>Supports circuit breaker cap. However, proposal does not go far enough for bidding flexibility. Suppliers' costs can be more than 300% of a reference level</p>	<p>Strongly supports. This allows suppliers to accurately reflect costs that vary by hour</p>	<p>Supports. Bidding flexibility and process to revise reference level is important for accurately reflecting suppliers' costs</p>	<p>Strongly supports. Additional avenue for suppliers to recover actual costs</p>	<p>No comment</p>	<p>Strongly supports. Next day gas price information has a significant effect on gas prices</p>
NV Energy (NVE)	<p>Strongly supports market-based commitment cost offers and dynamic market power mitigation. Provides improvements for calculating EIM participant's actual costs.</p> <p>Supports phased-in commitment cost circuit breaker cap. Ensures resources are no worse off than today.</p>	<p>Supports. Provides more bidding flexibility</p>	<p>Strongly supports. The design better informs the ISO of generators' actual costs when prices are not correctly represented in a gas index.</p>	<p>Strongly supports this additional method to potentially recover costs</p>	<p>No comment</p>	<p>No comment</p>
OhmConnect	<p>Supports market-based commitment cost offers and dynamic market power mitigation. Provides valuable flexibility to proxy demand resources (PDRs) with significant behavioral response components to participate in the real-time market.</p>	<p>Supports. Demand response resources have limited flexibility and availability costs vary throughout the day</p>	<p>No comment</p>	<p>No comment</p>	<p>No comment</p>	<p>No comment</p>

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Pacific Gas & Electric (PG&E)	<p>Do not yet believe the benefits of market-based commitment costs and dynamic market power mitigation relative to the risks have been demonstrated. Performance testing should be done prior to go-live.</p> <p>Support concept of commitment cost circuit breaker cap, but believes may provide too much room for suppliers to inflate costs</p>	<p>Opposes because market participants might be able to exploit design to inflate bid costs</p>	<p>Supports principle of adjustments. Oppose the calculation of the reasonableness threshold because it seems to be double counting fuel cost expectations Note - PG&E had several questions regarding this topic that are implementation details not policy related</p>	<p>No comment</p>	<p>Supports and believes determination of penalty prices should be different.</p>	<p>Supports</p>
Portland General Electric (PGE)	<p>Supports market-based commitment cost bids and dynamic market power mitigation. Provides a good start for EIM participants' greater bidding flexibility</p> <p>Supports commitment cost circuit breaker caps but believes caps are too conservative</p>	<p>Supports as it allows hydro resources to reflect varying hourly costs</p>	<p>Supports ability for suppliers to accurately reflect costs that may differ from calculated costs</p>	<p>Supports for cost recovery</p>	<p>No comment</p>	<p>No comment</p>

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Powerex	Strongly supports market-based commitment cost bids and dynamic power mitigation. Provides EIM participants with sufficient bidding flexibility to reflect their own estimates of cost, risks and business needs.	Supports. Important for energy-limited hydro resources external to the ISO footprint	Supports because it allows for incorporating the unique market considerations and system conditions experienced in the EIM area.	No comment	No comment	No comment
San Diego Gas & Electric (SDG&E)	Strongly supports market-based commitment cost bids and dynamic market power mitigation Supports commitment costs circuit breaker cap. 300% is too high and may allow for market participants to inflate costs	Supports ability to reflect varying hourly costs	Supports adjustments but would like additional safeguards to protect against inflated costs	Supports method for recovery of actual costs	No comment	No comment
Seattle City Light (SCL)	Supports market-based commitment cost bids and dynamic market power mitigation. It is necessary to address commitment cost market power issues that come from market-based bids	Supports bidding flexibility for hydro generators	Supports process for suppliers to update costs to better inform ISO dispatches	No comment	No comment	No comment

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Six Cities	<p>Strongly supports market-based commitment cost bids and dynamic market power mitigation proposal. Provides greater bidding flexibility for suppliers' need to reflect business needs.</p> <p>Supports commitment cost circuit breaker caps. The review of mitigation performance needs to include a date before the automatic increases/decreases occur</p>	Supports ability to reflect varying hourly costs	Supports allowing suppliers to adjust verified costs	Supports. Proposal is too conservative for recovery of gas resources and gas penalties	Supports but opposes methodology for prices for relaxing power balance constraints	Supports
Southern California Edison (SCE)	Supports market-based commitment cost bids and dynamic market power mitigation. However wants performance testing completed before implementing in market	Supports	No opinion	No opinion	No opinion	Supports
Western Power Trading Forum (WPTF)	<p>Strongly supports market-based commitment cost offers and dynamic market power mitigation. Testing mitigation performance should include stakeholders.</p> <p>Strongly supports commitment cost circuit breaker caps. Phased-in approach ensures suppliers are no worse off today.</p>	Supports the flexibility to reflect varying hourly costs	Supports ability to update costs	Supports method for cost recovery	No opinion	No opinion

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Management Response	<p>Management’s proposal appropriately balances suppliers’ need for bidding flexibility to reflect cost and protecting against the exercise of market power. The ISO also believes that suppliers are more able than the ISO to determine their costs. Additionally, the dynamic market power mitigation proposal is robust and has several conservative safeguards to protect against adverse market behavior.</p> <p>Commitment cost circuit breaker caps are also a safeguard against market power and are initially set conservatively during the phase-in periods. This allows the ISO to closely review the new mitigation design to ensure resources are not being over or under mitigated.</p>	<p>After numerous discussions with stakeholders, the ISO believes suppliers’ costs vary hourly and such costs should be reflected accordingly. It is important that suppliers are bidding their actual costs to improve market efficiency.</p> <p>Management’s proposal allows suppliers this flexibility while also protecting against intertemporal constraints or bidding behaviors through current bidding rules.</p>	<p>Management understands there is a need for updated gas prices related to Mondays. However, updating real-time reference levels based on gas trades observed on ICE is inconsistent with FERC’s previous guidance regarding standards for gas-price indices. To capture real-time gas trading, the ISO would need to manually review suppliers’ adjustment requests. This process would be labor intensive.</p> <p>Management believes its proposal balances implementation costs and complexity.</p>	<p>Management does not believe reimbursing gas penalties after the fact is appropriate because it provides a disincentive for suppliers to follow gas pipeline instructions.</p> <p>Additionally, FERC recently directed NYISO that it was inappropriate for suppliers to seek cost recovery for gas penalties for that the same reason.</p>	<p>PG&E believes the ISO should only raise penalty parameters when there are bids greater than \$1000. Dynamically setting penalty prices would cause significant implementation challenges. Also, penalty prices are designed to reflect scarcity. The penalty prices are appropriately scaled to the bid caps.</p> <p>Management disagrees with Six Cities’ proposed method of using an adder for penalty prices. Management believes the penalty prices are designed to reflect scarcity. The proposed penalties are appropriately scaled to the bid caps.</p>	Not applicable