

**Stakeholder Comments**  
**System Market Power Mitigation – Initiative Scoping Document**

Submitted by	Company	Date Submitted
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Given the number of historical uncompetitive hours and the trend of tightening supply conditions, SCE strongly supports a plan to launch an initiative dedicated to the development of system market power mitigation (MPM) rules. SCE supports the CAISO’s effort in publishing the Scoping Document as intended to serve as the basis for policy development<sup>1</sup>.

One crucial issue is how to determine an appropriate mitigation trigger, especially because the proposal of applying mitigation only when the CAISO balancing area (BA) is import constrained and only when the three largest interties are simultaneously binding can be problematic, as explained further below. Design of a system MPM for the day-ahead market (DAM), where the majority of market transactions are incurred, is also important. As such, SCE requests that the scope of this initiative should include the determination of an appropriate mitigation trigger and the application of system MPM in the DAM upfront.

SCE recommends the CAISO consolidate the two separate phases, as contemplated by the Scoping Document, into one phase to ensure cohesive policy discussions and consistent treatment between the DAM and the real-time market (RTM). Alternatively, Phase 1 of the initiative should cover these two issues. The revised Scoping Document should provide a schedule and timeline for the initiative.

*Concerns around the proposed mitigation trigger and applying a system MPM to RTM only*

There has been a significant amount of discussion on the reasonableness of the proposed mitigation trigger, i.e., when the CAISO is import-constrained and when three major interties simultaneously bind, and the reasonableness of applying system MPM for RTM only. Participants have pointed out the disconnection between the number of historical instances on the three major interties being binding and the number of historical instances of structurally uncompetitive hours<sup>2</sup>. During the October 11, 2019 Market Surveillance Committee (MSC) meeting, MSC members pointed out that mitigation should concern suppliers controlling a material portion of supply, which potentially have the incentive and ability to materially impact

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<sup>1</sup> System-Level Market Power Mitigation Initiative Scoping Document, posted Oct 28, 2019, available at <http://www.caiso.com/Documents/ScopingDocument-SystemMarketPowerMitigation.pdf>, at 1: “This would serve as the basis for a policy development initiative in the event the CAISO determines it is appropriate to implement system-level market power mitigation. The CAISO will brief its Board of Governors at its November 2019 meeting as to whether it plans to initiate a stakeholder process to develop a system-level market power mitigation approach”.

<sup>2</sup> E.g., the three major interties (Malin, NOB, Palo Verde) were simultaneously binding in one 15-minute interval in RTM and nine intervals in DAM in 2018, during which there were over 200 hours of structurally uncompetitive hours in DAM.

market prices, and that fringe competitors with small shares of sales and capacity are unlikely to find it profitable to withhold their output in order to raise market prices<sup>3</sup>. It follows then that it's insufficient to condition system MPM on whether interties are binding or not, as those resources located outside the CAISO would be a part of the competitive fringe anyway. SCE has also commented before that binding interties can be simply due to transmission outage or maintenance work during non-summer months and that available transmission capacity does not necessarily mean supply is available on those interties. Regarding applying a system MPM to the RTM only, MSC members and market participants have raised various issues, including that real-time mitigation can only be partially effective in mitigating market power (i.e., cannot completely preclude the exercise of system market power) in the DAM and that the DAM has been found structurally uncompetitive. Given those concerns, the CAISO should address the issues of determining an appropriate mitigation trigger and applying a system MPM to the DAM and include them in the scope upfront.

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<sup>3</sup> MSC System Market Power Discussion Presentation by Scott Harvey, October 11, 2019, at 14.