

## Stakeholder Comments

### Bidding Rules Enhancements Issue Paper

Submitted by	Company	Date Submitted
Brian Rothstein (626) 302-3555 <a href="mailto:Brian.Rothstein@sce.com">Brian.Rothstein@sce.com</a>	Southern California Edison (SCE)	December 30, 2014

SCE thanks the California Independent System Operator (CAISO) for the opportunity to comment on the Bidding Rules Enhancements Issue Paper (“the Issue Paper”)<sup>1</sup>.

SCE finds some elements of the Issue Paper are necessary enhancements to the current rules and relatively simple to implement, while others may require significant time and potentially a separate stakeholder process.

#### **Energy Bidding Flexibility**

SCE agrees that the CAISO’s rules for energy bidding are appropriate. Compared with the other ISOs and RTOs surveyed, the CAISO provides generators flexibility constrained only by the optimization timeline and energy bid caps.

The Issue Paper states that a generator currently has the ability to change its bids in real time, up to T-75 during an inter-temporal constraint. During such a constraint, should a resource re-bid at an uneconomic level, the CAISO has no way of re-dispatching it. The CAISO is then forced to commit the resource which is no longer economic, and potentially pay it Bid Cost Recovery (BCR). This behavior would unjustly expose load to market uplift costs. SCE agrees with the CAISO’s proposal to address the ability for generators to change their bids in Real Time during

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<sup>1</sup> *Issue Paper – Bidding Rules Enhancements* (<http://www.aiso.com/Documents/IssuePaper-BiddingRulesEnhancements.pdf> )

inter-temporal constraint periods. Regardless of whether this ability is currently being abused, SCE believes this weakness in energy bidding rules should be addressed as soon as possible. Generators should not have the ability to take advantage of inter-temporal constraints and force the CAISO to commit resources at uneconomic prices.

SCE believes the simplest solution to this issue is to base the Bid Cost Recovery (BCR) settlement on the bid cost used by the CAISO optimization used to make the commitment decision resulting in the inter-temporal constraint. This allows current energy bidding rules to go unchanged, yet removes the incentive to unreasonably increase bid prices. SCE supports restricting Real Time bids during inter-temporal constraints if the CAISO believes that changing the settlement rules alone is not enough to resolve this issue.

### **Commitment Cost Bidding Flexibility**

SCE generally supports allowing resources to change their commitment costs after the close of the Day Ahead market if they do not have a Day Ahead commitment. SCE believes that the caps on commitment costs as proposed in the Commitment Cost Enhancements Phase 1 stakeholder initiative<sup>2</sup> are appropriate under this scenario. The CAISO Department of Market Monitoring (DMM) should work with the CAISO to ensure that reasonable reference levels are calculated and mitigation processes can be adjusted to reflect this additional bid flexibility.

SCE supports retaining the daily gas price index (GPI) process as a CAISO estimate of gas costs for thermal resources. Recognizing that no estimate is 100 percent accurate, the GPI provides a reasonable estimate of gas prices and can be used in a timeframe consistent with current electric operations. Delaying the close of the Day-Ahead Market without a clear benefit is not something SCE supports. The current “proxy plus 25 percent” construct for commitment cost bidding should adequately allow Market Participants to account for the one-day gas price lag. SCE is also concerned with using only one source to inform the GPI. A single index may not represent adequate market liquidity and may be more susceptible to manipulation than a multi-source index.

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<sup>2</sup> *Revised Draft Final Proposal – Commitment Cost Enhancements*  
(<http://www.caiso.com/Documents/RevisedDraftFinalProposalCommitmentCostEnhancements.pdf> )

If the CAISO seeks to enhance the GPI calculation, a survey of how other ISOs/RTOs estimate gas costs could be useful. Until there is a decision that would alter the timing of gas and electric markets related to the Federal Energy Regulatory Commission (FERC) Notice of Proposed Rulemaking (NOPR)<sup>3</sup>, SCE believes that pursuing major changes in market timelines would be a waste of time and resources. It would be burdensome and unnecessary for the CAISO and market participants to engage in major operational changes now, only to potentially be required to change again as a result of the NOPR.

### **Resource Characteristics Review**

SCE appreciates the CAISO's efforts to take up this complex yet important issue. SCE supports the CAISO's intent to encourage market participants to represent true resource costs and operational characteristics to the CAISO markets. SCE generally supports establishing boundaries or "safe-harbor" values for certain resource characteristics, including the Major Maintenance Adder<sup>4</sup>. However, there are significant complexities that will need to be addressed in this review. SCE believes this element of this Issue Paper should be broken out into a separate stakeholder process. Rules for defining and restricting changes to resource characteristics could take considerable time to develop, and SCE would like to see the other elements of the Issue Paper implemented unconstrained by this large and complex proposed review.

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<sup>3</sup> *FERC News Release: March 20, 2014* (<http://www.ferc.gov/media/news-releases/2014/2014-1/03-20-14-M-1.asp#.VDF05J3n8dU> )

<sup>4</sup> *SCE Comments – Refinements to Commitment Costs, 2012 Draft Final Proposal, p.2*  
([http://www.caiso.com/Documents/SCE\\_Comments-Commitment%20CostsDraftFinalProposal.pdf](http://www.caiso.com/Documents/SCE_Comments-Commitment%20CostsDraftFinalProposal.pdf) )