Stakeholder Comments

Bidding Rules Enhancements Revised Straw Proposal

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The following are Southern California Edison's (SCE) comments on the California Independent System Operator's (CAISO) November 23, 2015, Revised Straw Proposal[1].

Resource characteristics

SCE recommends that the CAISO dedicate a single stakeholder process to significant issues such as inclusion of market characteristics in the Master File and Use Limited Resource definition. These issues are highly interdependent and separating them into three different initiatives (Bidding Rules Enhancements, Commitment Costs Enhancements and Reliability Services Initiative) is not efficient or productive in effectively addressing these topics. Such disassociation compromises consistency in approach and negatively impacts stakeholder understanding of the CAISO's position and reasoning. For instance, the CAISO will not consider economic/contractual limitations in Commitment Cost Enhancements, but it appears that it will consider them in Bidding Rules Enhancements. The line between 'design capability' and economic trade-offs is very hard to define in cases where new conventional generation is commissioned, and impossible to define in cases of demand response and energy storage. SCE believes a more comprehensive approach will help align the issues into a more productive discussion.

There are a number of parameters that the CAISO should consider for its market based characteristics. These can change by resource type, but at a minimum the CAISO should consider daily starts, ramp rates, and runtime/energy limit restrictions over different time horizons (daily, monthly, annual) for conventional gas-fired resources. While SCE does not necessarily propose that these parameters be used in the market based RDT, it does support their consideration in a holistic approach to the comprehensive use limitation and resource

[1] http://www.caiso.com/Documents/RevisedStrawProposal_BiddingRulesEnhancements.pdf

characteristics issue. Other resource types may have other market characteristics which are also design parameters. Number of cycles, energy limits, and even Pmin and Pmax for demand response and energy storage are characteristics which can only be defined by contract.

On the ramp rate bidding issue, SCE would like more clarification from the CAISO. Currently ramp rates are bid through the Scheduling Infrastructure Business Rules (SIBR) but the CAISO now proposes to have these managed through the Outage Management System (OMS). SCE requests the reasoning behind the change in input platforms. Further, SCE requests the CAISO confirm that OMS has the functionality to accept future ramp rate derates as well as current day. SCE also requests the CAISO explain whether market participants will have transparency regarding which value of the ramp rate is being used by the CAISO given the new OMS platform for input and the two different sets of RDTs.

Regarding characteristic submission responsibility, participating generators should work with Scheduling Coordinators to represent design characteristics as accurately as possible within the limitations of the RDT. RDTs are, by nature, a simplified representation of a generator; both parties must agree that the representation is accurately represented into the market. However, the generator owner is the only entity that will know the true capabilities of a resource. Responsibility of submission of market based characteristics to the CAISO should be borne by the SCs.

Commitment cost mitigation

The CAISO analysis of mitigation tests seems primarily focused on gas generation. The CAISO should explore both the Conduct and Impact test as well as the Three Pivotal Supplier test, to evaluate their appropriateness toward non-conventional resources that do not have fuel costs. While the existing 125% bid cap approach works well for conventional generation with defined fuel costs, other resource types such as demand response and energy storage do not necessarily have fuel-based costs.

Energy bidding flexibility

The CAISO should consider the costs against the benefits of allowing further flexibility, a concern raised by San Diego Gas & Electric (SDG&E) during the stakeholder meeting. While

SCE supports increased flexibility, as stated in its prior comments[2], the response of the CAISO during the meeting seemed to suggest that the costs are higher than any potential benefits. Thus, SCE recommends maintaining the status quo and existing bidding flexibility.

Correct inefficient accounting for minimum load costs after a Pmin rerate

SCE supports the CAISO proposal to modify the minimum load cost (MLC) based on the default energy bid (DEB) costs. The CAISO should also include an adjustment mechanism within the proposal to account for the additional start fuel required to attain the higher Pmin.

Allow rebidding of commitment costs for resources without a day ahead schedule

SCE supports allowing rebidding of commitment costs for those resources that did not receive a day ahead award contingent on the status quo of the 125% bid cap approach. Should the CAISO incorporate commitment cost mitigation methodologies such as Conduct and Impact or Three Pivotal Supplier tests, SCE would have to review the effect of those tests on allowing rebidding and may revise its position. SCE requests clarification on whether only non-RA resources would be allowed to rebid costs or all resources would be allowed[3].

Improve gas commodity price

SCE is supportive of using a more current commodity price of gas (Option 1 or Option 2), but recommends that we wait and see how those publications respond to the nomination cycle changes under FERC Order 809. SCE and other Market Participants have many processes and personnel linked to the current DAM timelines, and any shift in market times will require some adjustment, including shifting work hours. Many of these are outlined in our prior comments specific to FERC Order 809. SCE recommends the CAISO defer its proposal on both Option 1 and 2 of the improvement of the gas commodity price until there is more certainty on gas market coordination.

Provide opportunity for after-the-fact cost recovery of gas price spikes

SCE is concerned that the CAISO's proposal to allow after the fact recovery of gas costs will be difficult to implement and verify. Gas liquidity is already low during later nomination cycles,

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[2] http://www.caiso.com/Documents/SCEComments_BiddingRulesEnhancementsStrawProposal.pdf

[3] Page 38. http://www.caiso.com/Documents/AgendaandPresentationBiddingRulesRevisedStrawProposal-Dec32015.pdf

and is extremely illiquid during large price spike events. This proposal may have a negative impact on gas price formation during these events. For example, if gas suppliers know that any market participant can get cost recovery only when the price moves 25% higher than the previous day's price, the instances of 25% intraday price moves is likely to increase. SCE recommends that market participants only qualify for cost recovery if the daily gas index increases by more than 25%.

Improve gas transportation adders

SCE is supportive of a more flexible gas transportation adder to differentiate GHG costs.

Improve the electricity price index calculation

SCE supports using the electricity price index (EPI) as opposed to the CAISO proposal of multiplying auxiliary start-up energy by the monthly GPI and a factor of 10. The latter is arbitrary and not reflective of supportable assumptions. SCE has found EPI to be more reflective of its actual costs.