

Stakeholder Comments

SDG&E Comments on the Analysis of Structural System-Level Competitiveness in the CAISO Balancing Authority Area

Submitted by	Organization	Date Submitted
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San Diego Gas & Electric (SDG&E) thanks the CAISO for the opportunity to comment on the CAISO's April 29, 2019 Analysis of Structural System-Level Competitiveness in the CAISO Balancing Authority Area. SDG&E observes that both the Department of Market Monitoring (DMM) in its May 2019 Annual Report on Market Issues and Performance for 2018 and the CAISO's own historical analysis show that at a system level the balancing authority was structurally uncompetitive for a number of hours in 2018. A structurally uncompetitive market can allow the exercise of market power and payment of unreasonably high costs. SDG&E believes when differing historical analyses indicate system market power exists, these findings must lead to the implementation of new tools to mitigate its use.

The CAISO's stakeholder meeting on May 6, 2019 reviewed its analysis and findings with stakeholders. This meeting revealed significant differences between methods used by the DMM and CAISO. The CAISO assumptions leaned toward more supply by including virtual supply but not virtual demand that would offset it. The DMM used the Residual Supply Index (RSI) to identify hours in which system market power may exist but what assumptions are most appropriate to use for available supply consistent with the demand used is not clear like to included full possible output level of resources and not reduced output levels restricted by movement from actual dispatch level constrained by how fast output can be increased.

Since many seemingly reasonable changes in assumptions can affect the quantity of the historical hours for which the exercise of system market power could have occurred; a significant amount of time and resources may be expended in order to verify the accuracy of these studies. SDG&E does not think the time and effort to nail down assumptions is needed because the analyses performed by the CAISO and DMM show that historically the opportunity to exercise market power existed and with the only difference being how often market power existed. Coupled with the fact that future known retirements and the move to more renewable resources will decrease system-level competitiveness and the conclusion is clear. System-level market power will exist by the time the CAISO can design and implement a mitigation process. SDG&E recommends that CAISO should immediately start on developing a system-level market power mitigation process to be implemented as soon as possible instead of further refining its analysis.