

## Stakeholder Comments

### System-Level Market Power Mitigation: Initiative Scoping Document

Submitted by	Company	Date Submitted
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SDG&E believes the amount of uncommitted resources available to support reliability within the CAISO at the system level from within the CAISO and from imports may be reduced over time. SDG&E supports developing a system market power mitigation process for the CAISO balancing area but does not support applying mitigation at the system level yet. No clear evidence has been found that anyone has yet exercised market power on a CAISO system level and it is possible that market conditions will not develop so mitigation at the system level will ever be needed.

However, SDG&E recognizes that the development and implementation time for an effective system market power mitigation process that is not detrimental to the overall market may take years. Therefore, it is prudent to start development of a mitigation process now rather than waiting a few years until the need for mitigation could become apparent. Enough time must be allowed to fully vet the potential mitigation options and to consider the adverse impacts each option could present. It is possible that markets within and outside the CAISO will evolve such that system market power mitigation is never needed but the risks of needing the mitigation and not being prepared to apply it are too great to not start development of the process now.

SDG&E believes that implementation of system level mitigation could have serious negative consequences like reducing import bids from fear of being mitigated. Therefore, system level mitigation should only be implemented after the exercise of system market power is confirmed and mitigation is properly designed to be effective without excessive costs or unintended consequences.

Several parties have expressed that a process to mitigate system market power should be implemented as soon as possible however their proposal is based on weak evidence such as: RSI 3 failures, market energy price spikes, generation retirements and more future reliance on imports. SDG&E believes increasing imports can defer the need to implement new rules to mitigate system market power for a minimum of a few years. We also believe that CAISO needs to collect more information on west-wide retirements, review changes in generation mix and continue to analyze the limit on imports that can be used to maintain reliability within the CAISO. Delaying a change in rules would also allow the CAISO to obtain more information on import bid suppression caused by mitigation of import bids.

The CAISO's October 28, 2019 Initiative Scoping Document on the principles and scope for designing and implementing system-level market power mitigation in the CAISO market for the CAISO balancing authority area appears to be a reasonable starting framework for a policy development initiative in the event the CAISO determines its current "damage control" energy bid caps are insufficient to mitigate system-level market power.

- **SDG&E agrees with the CAISO that system-level market power mitigation must be carefully designed to ensure it increases market efficiency while avoiding potential adverse outcomes** such as discouraging robust supply and demand participation during tight system conditions.

**SDG&E believes the CAISO's proposed two-phase implementation of system-level market power mitigation is not necessary.** At this time, without a clear need for any system-level market power mitigation, a first "quick implementation" phase is not needed. System-level market power mitigation should not be implemented until the exercise of system market power is proven and that negative market consequences of mitigation are far outweighed by benefits.