

Stakeholder Process: Market Enhancements for Summer 2021 Readiness

Summary of Submitted Comments

Stakeholders submitted two rounds of written comments to the ISO on the following dates:

- Round One, 02/03/21
- Round Two, 02/26/21

Stakeholder comments are posted at:

<https://stakeholdercenter.caiso.com/StakeholderInitiatives/Market-Enhancements-for-Summer-2021-Readiness>

Other stakeholder efforts include:

- Educational workshop, 11/2/20
- Initiative scope/scheduling web-meeting, 01/06/21
- Workshop on current design of the EIM resource sufficiency evaluation web-meeting, 01/13/21
- Straw proposal web-meeting, 01/27/21
- Straw proposal web-meeting, 01/29/21
- Market Surveillance Committee web-meeting, 02/11/21
- Draft final proposal web-meeting, 02/22/21
- Draft final proposal business requirements and draft tariff language web-meeting, 02/26/21
- Business requirements and draft tariff language web-meeting, 02/26/21

Market Participant	Comments on import make-whole payment	Comments on enhancing market pricing when arming load to meet contingency reserve requirement	Comments on reliability demand response resource dispatch enhancements	Comments on interconnection enhancements
Bonneville Power Administration	Supports proposal, believes proposal will provide additional price certainty to hourly block economic import bids during tight system conditions when fifteen-minute market prices can be lower than the corresponding hour ahead scheduling process prices.	No comment	No comment	No comment
California Community Choice Association	Does not oppose proposal if the ISO would implement it in conjunction with system market power mitigation. Believes supporting documentation of import bid costs should be required.	No comment	No comment	Supports proposal
California ISO Department of Market Monitoring	Supports proposal, believes proposal will incentivize import supply during tight system conditions because imports will be paid at least their offer price.	Supports proposal as a way of helping to ensure that prices are relatively high when system conditions are extremely tight and the ISO is relying on arming load to meet contingency reserve requirements.	Supports proposed changes as another way of helping to ensure that prices are relatively high when system conditions are extremely tight and emergency demand response resources are needed to meet system load.	No comment

<p>California Large Energy Consumers Association</p>	<p>No comment</p>	<p>No comment</p>	<p>Opposes the proposal with caveats. Concerned that the additional resource registration parameters combined with the change to dispatch reliability demand response resources within the real-time predispach process could result in dispatches inconsistent with the ISO tariff and CPUC reliability demand response resource settlement.</p>	<p>No comment</p>
<p>California Public Utility Commission Staff</p>	<p>Does not oppose proposal for make-whole payments during tight system conditions. Additionally, requests clarification on the reasoning for applying this proposal when there is an alert noticed issued, but no warning notice has been issued.</p>	<p>Opposes proposal, maintaining it is not needed to ensure reliability this summer. Believes the proposal should be considered in conjunction with system market power mitigation, comprehensive scarcity pricing policy, and penalties on generators with capacity contracts if they fail to perform under stressed system conditions.</p>	<p>No comment</p>	<p>No comment</p>
<p>Calpine</p>	<p>Supports proposal</p>	<p>Supports proposal</p>	<p>Supports dispatching reliability demand response resources in the real-time predispach process. Supports allowing reliability demand response resources to set ISO market prices even under discrete dispatch option. Believes hourly dispatchable reliability demand response resources should be allowed to set ISO market prices.</p>	<p>No comment</p>

<p>EDF Renewables</p>	<p>No comment</p>	<p>Requests the ISO explicitly renew its commitment to undertake the proposed scarcity pricing stakeholder initiative it is planning this year.</p>	<p>No comment</p>	<p>Supports proposal</p>
<p>Idaho Power Company</p>	<p>Supports proposal for make-whole payments but does not support the proposed cost allocation methodology. Believes the ISO should not allocate costs to EIM dispatched energy transfers because the costs are incurred to support ISO balancing authority area reliability.</p>	<p>No comment</p>	<p>No comment</p>	<p>No comment</p>
<p>Morgan Stanley Capital Group Inc.</p>	<p>Supports proposal, believes proposal will provide price certainty to attract more import supply during tight system conditions and will allow the ISO to better compete for available supply. Believes that this proposal should be revisited after this summer in a longer- term initiative to improve import liquidity at all times. Suggests the CAISO consider settling interties at hour-ahead scheduling process prices to improve liquidity and economic participation.</p>	<p>Supports proposal, stating it will result in ISO market prices that more accurately reflect of market conditions.</p>	<p>No comment.</p>	<p>No comment.</p>

<p>Pacific Gas and Electric</p>	<p>Does not take a position on proposed change but believes impacts on quantity of fifteen-minute dispatchable bids should be closely monitored. Supports ability to suspend make-whole payments if there are adverse market outcomes.</p>	<p>Concerned that proposal may set prices at \$2,000/MWh when the ISO market is allowing energy bids greater than \$1,000/MWh, which may be significantly greater than the highest cost-verified submitted bid, undermining FERC Order 831's cost-verification requirements for bids priced above \$1,000/MWh. Also believes proposal may incentivize physical withholding so that pricing at the bid cap is triggered.</p>	<p>Supports proposal, but requests additional detail on interaction between inclusion in real-time predispatch process and resource physical characteristics such as time required to respond to dispatch instructions.</p>	<p>Supports proposal</p>
<p>PacifiCorp</p>	<p>No comment.</p>	<p>Supports proposal, but requests clarification regarding whether the pricing is triggered by arming load or the actual use of energy bids from resources released from providing contingency reserves.</p>	<p>No comment</p>	<p>No comment</p>
<p>Public Generating Pool</p>	<p>Supports proposal, stating it will incent suppliers to offer hourly block economic import supply to the ISO during tight system conditions.</p>	<p>Supports proposal, but requests the ISO clarify the conditions in which it would arm load to meet the contingency reserve requirement.</p>	<p>No comment</p>	<p>No comment</p>

Public Power Council	Supports proposal, stating it will provide proper incentives to attract import supply during the tight system conditions	Supports proposal, stating it will help maintain appropriate ISO market prices during very tight supply conditions.	No comment	No comment.
San Diego Gas & Electric	Supports proposal, including the ISO's proposed ability to suspend make-whole payments if there are adverse market outcomes.	Supports proposal but is disappointed the ISO is no longer proposing to implement in conjunction with system market power mitigation.	Supports proposal	No comment
Shell Energy	Supports proposal	Supports proposal as it will more appropriately reflect tight supply conditions in ISO market prices.	Supports proposal as it will allow reliability demand response resources to set ISO market prices, which does not occur with manual dispatch.	Supports proposal
Six Cities	Supports proposal	Supports proposal as it will more appropriately reflect tight supply conditions in ISO market prices.	Supports proposal	Supports proposal
Southern California Edison	Believes proposal should be implemented in conjunction with system market power mitigation and import bid cost verification.	Concerned that proposal may set prices at \$2,000/MWh when the ISO market is allowing energy bids greater than \$1,000/MWh, which may be significantly greater than the highest cost-verified submitted bid, undermining FERC Order 831's	Supports proposal, but has concerns that the implementation timeline will not allow sufficient time to implement changes and conduct testing.	No comment.

		<p>cost-verification requirements for bids priced above \$1,000/MWh. Also believes proposal may incentivize physical withholding so that pricing at the bid cap is triggered.</p> <p>Believes system market power mitigation should be implemented this summer.</p>		
Vistra Corp	<p>Supports proposal under current rules but believes imports should be settled at hour-ahead scheduling process prices. Believes EIM energy transfers should not be included in the cost allocation.</p>	<p>Supports proposal</p>	<p>Supports proposal but is concerned that allowing reliability demand response resources under the discrete dispatch option to set market prices may be inconsistent with the FERC fast start pricing proceeding.</p>	<p>Opposes proposal to remove the behind the meter cap on expansions, maintaining interactions with distribution systems will require substantial interconnection study effort, diverting ISO resources from expediting projects currently in queue that can immediately meet near term capacity needs.</p>
Management Response	<p>In response to Idaho Power Company and Vistra's comments that EIM transfers should not be allocated make-whole payment costs because it is intended to support ISO balancing authority area reliability, management has revised its proposal to no longer allocate uplift costs from the make-whole payments to EIM transfers.</p> <p>Management believes its proposal makes important improvements to incentives to offer hourly block imports during tight supply</p>	<p>Rather than encouraging physical withholding, management believes its proposal will provide an important incentive for supply to be available. Additionally, existing resource adequacy rules requiring submission of energy bids protect against physical withholding.</p> <p>System market power mitigation is not relevant to management's pricing proposal because management's proposal prices energy based on the bid cap, not based on the submitted bid prices</p>	<p>Management's proposal to include reliability demand response resources in the real-time market's real-time predispach process will result in the dispatch of these resources better reflecting their operational characteristics, included those specified in the CPUC settlement agreement.</p> <p>Management believes these changes have been sufficiently vetted, are not overly complex, and should result in limited system changes. Market participants will</p>	<p>Management's proposal is applicable to transmission-connected resources, not distribution system resources, so there will not be interactions with distribution systems to consider.</p>

<p>conditions. Any drawbacks because of potential reductions in the quantity of fifteen-minute dispatchable import bids will be offset by the increased import supply during tight system conditions the make-whole payment provisions should incent. In addition, the effect will be limited because the make-whole payment will only apply during limited conditions. Management plans to pursue alternatives to the make-whole payment in a planned stakeholder initiative addressing scarcity pricing.</p> <p>Management proposes to apply this make-whole settlement rule when day-ahead alert notices are issued, but no warning notice ends up being issued, because these notices signal anticipated operating reserve deficiencies. It is possible for the incentivized import supply to bid in real-time and provide enough additional supply to prevent an energy emergency.</p> <p>Management does not propose to verify that import bid costs represent actual costs. It is not feasible for the ISO to verify actual costs of imports because it does not have cost information for their sources and their costs can be subjective as they have opportunity costs outside the ISO market.</p>	<p>that market power mitigation would address. In any case, management's proposal reduces incentives for suppliers to attempt to exert market power by raising their bid price as they have the incentive for their bid to clear in the market so they earn the price set based on the bid cap.</p> <p>Management does not believe its proposal undermines FERC Order 831 protections. Management's proposal to price energy based on a \$2,000/MWh bid cap when it is in place is consistent with its proposal under the FERC Order 831 – Import Bidding and Market Parameters initiative that prices power balance constraint relaxations at \$2,000/MWh when the \$2,000/MWh bid cap is in place, irrespective of the amount of the highest-priced cost verified bid.</p> <p>Management has committed to comprehensively examining related scarcity pricing topics in longer-term scarcity pricing initiative that is scheduled to begin later this year and will also consider necessary system market power mitigation mechanisms in that context.</p>	<p>still be able to access dispatch instructions through the ISO's automated dispatch system.</p> <p>Management does not believe hourly dispatchable reliability demand response resources should not set the price in the fifteen-minute market because they cannot respond with fifteen-minute granularity, similar to hourly-block imports, which also cannot set fifteen-minute market prices.</p> <p>Management believes its proposal to allow reliability demand response resources under the discrete dispatch option is consistent with its existing pricing rules for constrained output generators, which are also dispatched to fixed energy amounts.</p>	
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