

# Comments on Pseudo-Ties of Shared Resources Final Proposal and Revised Tariff Language

Department of Market Monitoring

September 22, 2020

## Summary

The Department of Market Monitoring (DMM) appreciates the opportunity to comment on the ISO's *Pseudo-Ties of Shared Resources Final Proposal*<sup>1</sup> and the *Revised Draft Tariff Language of Pseudo-Ties of Shared Resources*<sup>2</sup>. This initiative proposes to allow the entity or entities controlling a resource to model a single resource as if it is actually two or more separate resources. The proposal would allow each separately modeled "share" of the single physical resource to be modeled as being in a different balancing authority area (BAA) than the other shares of the same resource. DMM had previously expressed concerns and recommendations in our comments on the July 10 Draft Final Proposal related to the potential for a resource owner to inflate their bid cost recovery payments or to create inequitable allocation of bid cost recovery between BAAs.<sup>3</sup> However, the Final Proposal largely addresses these concerns. Therefore, DMM supports the Final Proposal.

## Support for a shared resource design that would increase market participation

The ISO explains that modeling shared resources is necessary to allow "dynamically transferred resources, from new EIM Entity BAAs into the CAISO BAA, to continue participation in CAISO's markets." DMM supports the ISO working with stakeholders to develop a shared resource design that could increase participation in the Western EIM and CAISO markets.

## Bid cost recovery considerations

DMM had previously expressed concerns and recommendations in our comments on the July 10 Draft Final Proposal related to the potential for a resource owner to inflate their bid cost

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<sup>1</sup> *Pseudo-Ties of Shared Resources Final Proposal*, CAISO, August 14, 2020:

<http://www.caiso.com/InitiativeDocuments/FinalProposal-Pseudo-Ties-SharedResources.pdf>

<sup>2</sup> *Revised Draft Tariff Language of Pseudo-Ties of Shared Resources*, CAISO, September 9, 2020:

<http://www.caiso.com/InitiativeDocuments/RevisedDraftTariffLanguage-Pseudo-Ties-SharedResources.docx>

<sup>3</sup> *Comments on the Pseudo-Ties of Shared Resources Draft Final Proposal*, Department of Market Monitoring, August 14, 2020: <http://www.caiso.com/InitiativeDocuments/DMMComments-Pseudo-Ties-SharedResources-DraftFinalProposal.pdf>

recovery payments or to create inequitable allocation of bid cost recovery between BAAs.<sup>4</sup> However, the Final Proposal largely addresses the concerns raised by DMM. These issues are summarized below.

Under the proposal, the market schedules and bid cost recovery that each share receives, and how the bid cost recovery for the overall resource is divided between the BAAs, will be determined by the details of how each share will split the single physical resource's telemetry, metered output, minimum load level, minimum load costs, start-up costs and maximum output level. The ISO proposed to allow the owner or owners of a shared resource to define many of these critical determinants of the resources' ultimate market rates in plans (Logical Metering Settlement Quality Meter Data Plan) and protocols (Shared Resource Allocation Protocol) that may not be vetted by either stakeholders or FERC.

This discretion will surely be valuable for allowing an owner(s) to work with the ISO on modeling complex arrangements to share non-standard resources between BAAs. Allowing limited or no discretion in how resource attributes will be shared could unnecessarily impede participation in Western EIM and CAISO markets.

However, this discretion also makes it almost impossible to think through all potential arrangements that could be used to inflate owner(s)' bid cost recovery payments or to inequitably allocate bid cost recovery to one BAA rather than the other. There are likely to be some strategies that owners could employ in combination with extreme attribute sharing protocols to inflate bid cost recovery or to inequitably allocate bid cost recovery amongst BAAs.

DMM understands that eliminating discretion over sharing protocols at this time in order to prevent unlikely arrangements could inefficiently impede EIM and CAISO market participation. DMM also expects bid cost recovery mitigation measures, such as those designed in 2012,<sup>5</sup> to be effectively implemented for each share and to mitigate most potential BCR games. Some extreme sharing protocols may enable a resource owner to circumvent these BCR mitigation measures.

Given confidentiality concerns, the Final Proposal addresses DMM's concerns about vetting the sharing protocols with stakeholders by specifying:

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<sup>4</sup> *Comments on the Pseudo-Ties of Shared Resources Draft Final Proposal*, Department of Market Monitoring, August 14, 2020: <http://www.caiso.com/InitiativeDocuments/DMMComments-Pseudo-Ties-SharedResources-DraftFinalProposal.pdf>

<sup>5</sup> *Bid Cost Recovery Mitigation Measures Third Revised Draft Final Proposal*, CAISO, November 26, 2012: [http://www.caiso.com/Documents/ThirdRevisedDraftFinalProposal\\_BidCostRecoveryMitigationMeasuresNov26\\_2012.pdf](http://www.caiso.com/Documents/ThirdRevisedDraftFinalProposal_BidCostRecoveryMitigationMeasuresNov26_2012.pdf)

Specifically, [public versions of] agreements must identify key attributes including telemetry, metered output, minimum output levels, minimum load costs, start-up costs, and maximum output levels.<sup>6</sup>

Even with those details made public, there may still be some protocol provisions that could create BCR concerns. Furthermore, it may be difficult for the ISO and stakeholders to identify all potential problematic scenarios in a limited time window between when these details are made public and when the protocols are finalized. However, the ISO also added the following important provision to the Final Proposal:

CAISO may revoke or modify the shared pseudo-tie arrangement if there is evidence of owner(s) using the shared resource allocation protocol or SQMD plan to exploit the bid-cost recovery mechanism to benefit the resource owner(s) or to inequitably allocate bid cost recovery between BAAs.<sup>7</sup>

DMM believes this provision creates a reasonable mechanism for remedying problematic sharing protocols while providing the flexibility that the ISO and market participants may need to model complex sharing arrangements. Therefore, DMM supports the Final Proposal.

### **Comments on Revised Tariff Language**

DMM supports the added Tariff language provisions in sections 3.2.4 and 3.2.5. These provisions characterize portions of the Final Proposal for the ISO to revoke or suspend the shared resource agreement if they find the resource either:

- 1) “materially deviates from its allocation protocol”<sup>8</sup> or
- 2) “even if consistent with the allocation protocol, is exploiting or may exploit the Bid Cost Recovery mechanism to the benefit of the Scheduling Coordinator or is causing inequitable allocation of Bid Cost Recovery between the affected Balancing Authority Areas”<sup>9</sup>

DMM appreciates the provisions added in 3.2.4 and 3.2.5 and finds them to be important for providing the necessary safeguards against bid cost recovery concerns raised in this proposal.

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<sup>6</sup> CAISO Final Proposal, p. 12.

<sup>7</sup> CAISO Final Proposal, p. 18.

<sup>8</sup> Revised Draft Tariff Language, Section 3.2.4.

<sup>9</sup> Revised Draft Tariff Language, Section 3.2.5.