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**Comments of Northern California Power Agency
Bidding Rules Enhancements
December 3, 2015 Revised Straw Proposal**

December 17, 2015

Northern California Power Agency (“NCPA”) appreciates the opportunity to provide the following comments on the CAISO’s December 3, 2015 Bidding Rules Enhancements Revised Straw Proposal.

Commitment Cost Mitigation

- NCPA is supportive of the CAISO’s proposal to retain the current commitment cost caps of 125 percent of the calculated proxy cost values.
- NCPA concurs with the CAISO’s determination that a “conduct and impact test” or “pivotal supplier test” applied to commitment costs is not effective, and supports the status quo of the 125 percent cap “conduct test.”

Bidding Flexibility Rules

- The CAISO has described in section 7.1.1 the possibility for a market participant to inflate Bid Cost Recovery payments by changing bids after a commitment decision when the generating resource has an inter-temporal constraint. Because the CAISO has reviewed the impact of this market behavior and found no instances in which it has occurred, NCPA strongly supports the proposed option to continue monitoring more this behavior *rather* than introducing bidding requirements that would be onerous, complex, and stymie efficient dispatch.
- Likewise for the discussion in section 7.1.2 regarding the functionality to change bids after a commitment without an inter-temporal constraint, NCPA supports ongoing monitoring. NCPA agrees that a more efficient outcome is reached when updated bids can be submitted reflecting new information. Again, introducing additional bidding requirements would unduly deter these market efficiency gains given the CAISO’s assessment of the magnitude of the issue to date.
- NCPA does not support the CAISO’s proposal in section 7.2.1 for accounting for minimum load costs after a minimum load re-rate. The Default Energy Bid is

specifically for use in the adjustment of a generator’s energy bid in the event that the generator is deemed to have market power. It is thus inappropriate to use that value as a default in Commitment Cost values in the case of a re-rate when there is no reason to assert that market power has been exercised. Default Commitment Cost values have historically been calculated using the proxy cost calculations as the CAISO describes in detail in section 5.1.4 of this very paper. In the event that a generator’s minimum operating level is re-rated, NCPA contends that the logical and appropriate *default value* for the adjusted minimum load cost is 100 percent of the calculated proxy minimum load cost. NCPA further proposes that the CAISO consider that in the case of such a re-rate, the market participant bidding in that generator have the *option to bid in* minimum load cost for the resource at or below 125 percent of the calculated proxy minimum load cost at the new, re-rated minimum load level.

- NCPA supports the allowance to re-bid commitment costs for resources without a day-ahead schedule as described in section 7.2.2.

Commitment Cost Calculation

- In section 8.1.1.3, the CAISO discusses potential improvements to gas transportation adders. NCPA supports this proposal. In particular, NCPA would like to point out that while there is currently a 15 cent differential between the PGE Backbone Transmission rate and the PGE Local Transmission rate, the Natural Gas Transmission and Storage rate case that PG&E currently has before the CPUC includes a proposal by PG&E that changes that differential drastically to the detriment of generators connected at the Local Transmission level. The rates have not been finalized, and once they are there will be adjustments made for retroactive collection of them. In short, these values are not simple or static, and NCPA implores the CAISO to keep abreast of them and reflect them in Commitment Cost calculations in a manner consistent with market participants’ costs.

Resource Characteristics

- NCPA does not support the CAISO’s proposal to have market participants submit two sets of Master File values for generating resources. As the CAISO acknowledges, resource characteristics “legitimately require some engineering and economic judgment to balance excessive wear and tear and the technical capabilities of the resource.” Market participants are in the best position to exercise this judgment and provide operating characteristics to the CAISO.

Participants can provide resource characteristics that are reflective of how they want to operate their generation asset based on their economics, knowledge, and experience with the resource.