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Comments of Northern California Power Agency Bidding Rules Enhancements Issue Paper

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Northern California Power Agency (“NCPA”) appreciates the opportunity to provide the following comments in response to the CAISO’s Bidding Rules Enhancements issue paper (“Issue Paper”) posted December 3, 2014.

As a general comment, NCPA appreciates the CAISO’s timely initiation of this stakeholder process. Further, NCPA commends the CAISO for its thorough analysis of and comparison to rules and practices in other ISO/RTOs.

Energy Bidding Flexibility

NCPA concurs that Real Time Market bids for supply should be reflective of the operational capabilities of the supply resource, and that Bid Cost Recovery payments that are garnered as a result of such bids that are not consistent with the supply resource’s operational characteristics seems specious. It behooves the CAISO, however, to determine the frequency and magnitude of the impacts to BCR as well as the number of market participants for whom this is an issue before undertaking policy, market, and settlement software changes.

Commitment Cost Bidding Flexibility

NCPA appreciates the CAISO’s mindfulness of the need to coordinate with FERC-mandated changes to the natural gas market, and to leverage such improvements.

NCPA supports the CAISO’s “minimum” proposal to enable resources that did not receive a day-ahead schedule to re-bid commitment costs into the real-time market.

NCPA supports a change to the calculated proxy such that different percentage caps are applied to the various components of the calculation. For example, there would be no adder for the Grid Management Charge component, and a percentage higher than 25% applied to the natural gas component. NCPA supports the periodic review of the cost

cap(s) to ensure that there is still appropriate headroom for market participants to accurately reflect commitment costs.

NCPA is concerned about any proposal that includes *ex post* verification or after-the-fact cost recovery as they are administratively onerous. NCPA is also concerned about a switch from market power mitigation using a bid cap to a more sophisticated methodology such as what is used for energy bids given the concerns expressed on numerous occasions by the Department of Market Monitoring. Those concerns centered on the fact that, unlike in the case of the energy LMPM, the binding of constraints may not correlate with market power being exercised *via* commitment costs bids.

Resource Characteristics Review

Realistically and necessarily, all the details submitted to the CAISO on resource characteristics are informed by engineering judgment. NCPA strongly opposes establishing default resource characteristics (or ranges thereof) to be used in the case of bid mitigation. As a balance to this position, NCPA would support reasonable restrictions on the frequency of changes to resource characteristics (e.g. monthly), perhaps with a written explanation of the need for the change.

NCPA asserts that there are sufficient controls in place to guard against market manipulation by submitting false information regarding resource characteristics. First, it has always been within the CAISO's purview to assess these submissions. Second, it is in the interest of generation owners and operators to provide information on the operating characteristics of their resources that is consistent with their actual operation so as to operate and maintain them safely and efficiently. Finally, of course, there are provisions of the Tariff requiring the submission of true and accurate information. NCPA requests that the CAISO be explicit as to the new circumstances creating need for more controls that those already in place that have, as far as NCPA is aware, have been functioning as intended.