

Western Power Trading Forum Comments on LMPM Enhancements 2018 Draft Final Proposal

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The Western Power Trading Forum

The Western Power Trading Forum (WPTF) is a California nonprofit, public benefit corporation. It is a broad-based membership organization dedicated to enhancing competition in Western electric markets while maintaining the current high level of system reliability. WPTF supports uniform rules and transparency to facilitate transactions among market participants. The membership of WPTF and the WPTF CAISO Committee responsible for providing these comments include CAISO and EIM entities, load serving entities, energy service providers, scheduling coordinators, generators, power marketers, financial institutions, and public utilities that are active participants in the California market, other regions in the West, and across the country.

Summary

WPTF appreciates the opportunity to submit comments on the CAISO's Local Market Power Mitigation Enhancements 2018 Draft Final Proposal updated on January 31, 2019 and the stakeholder call held on January 23, 2019.

WPTF appreciates the effort of the CAISO staff navigating through this complex issue and putting forth a reasonable resolution that, while protecting against market power, still enables resources' energy bids to reflect appropriate costs and improve price formation in the markets. WPTF continues to be generally supportive of the proposal and focuses the detailed comments below primarily on the Hydro DEB and proposed changes to the real-time gas price indices. Several of the concerns related to the hydro DEB can simply be addressed by opening up the proposed DEB option to more than just hydro resources with opportunity costs, which would then also align with how the other DEB options are currently made available to all resources.

Detailed Comments

Mitigation Framework

WPTF remains generally supportive of the proposed changes to eliminate the mitigation by extension rules, the nominal adder, and the optional net export transfer constraint. WPTF appreciates the CAISO's clarification on how congestion within an EIM BAA will impact potential for flow reversal and economic displacement even with the nominal adder. It is extremely useful for market participants to understand that the net export transfer constraint needs to be elected in order for the EIM BAA to better prevent flow reversal from occurring when there is congestion within the BAA. Additionally, WPTF seeks confirmation that the CAISO is committing to publishing which net export transfer constraints are enforced for transparency purposes, in the same manner it currently publishes other constraints enforced in the market.

Hydro DEB Option

WPTF appreciates the continued progress and additional analysis on the default energy bid element of the proposal. WPTF has a few remaining concerns with the proposal, as discussed below, and requests the CAISO commit to a periodic review of the multiplier in the Hydro DEB formulation.

As iterated in previous comments, ideally the DEB option would be made available to all resource types with opportunity costs in a similar manner as the existing options don't exclude certain resource types. In the end, making the option available to all resource types with opportunity costs may have little impact on which resources end up using the proposed option; limiting it as an option up front for several resources will ultimately have to be approved by FERC. Additionally, WPTF wonders why this DEB option is not being made available to all EIM resources. It's WPTF's understanding that part of the goal was to have a DEB that enabled resources to reflect opportunity costs associated with selling to other markets. It then follows that a non-hydro EIM resource also has that same bilateral market opportunity but under the current proposal is unable to opt for this DEB option. Making the DEB option available to all resource types with opportunity costs – including bilateral market opportunity costs for non-hydro external resources – would address this concern while remaining technology and fuel agnostic.

Along the lines of equitable treatment, WPTF continues to encourage the CAISO to re-consider allowing internal resources with daily limitations to reflect opportunity costs. The DEB formulation is clearly intended to also capture opportunity costs arising from daily limitations per the daily index; however, the CAISO consciously made the decision in the CCE3 process to not allow internal use-limited resources with daily limitations to have opportunity costs reflected in their DEBs. WPTF understands that at that time, the CAISO was planning on enhancing the real-time market outlook horizon, but that initiative continues to be pushed out on the policy roadmap year after year. WPTF appreciates the CAISO opening up the DEB option to all hydro resources with limitations, as opposed to only EIM hydro resources. However, that leaves internal non-hydro resources with daily limitations as the only resources that cannot reflect opportunity costs arising from those daily limitations. Now is a perfect opportunity to re-open that discussion or, here again, by allowing the proposed DEB option to be selected by any resource with opportunity costs, this concern of potential inequitable treatment among resources is alleviated.

WPTF seeks additional clarification on the re-formulated DEB and how the short-term and long-term components align with the most recent analysis. WPTF appreciates the continued analysis provided by the CAISO and understands that the multiplier of 1.4 is based on evaluating a hypothetical resource with three months storage. Given that the multiplier was determined using a resource with three-months storage, WPTF is unclear why the multiplier is only applied to one monthly index beyond the current month; to align with the analysis, the short-term component should then include two additional monthly indices (M Index+2 and M Index+3).

Additionally, WPTF believes that the short-term component should also incorporate hub prices other than the default hub. For example, if a resource has a one-month storage limitation but also has firm transmission rights to another hub, the current proposal would apply a 1.4 multiplier to the default hub price but only 1.1 multiplier to the additional hub price under the long-term component. WPTF is unclear why the CAISO believes only applying a 10% adder to the additional hub price even for resources with storage one month or less of storage is appropriate.

Lastly, WPTF requests that the CAISO re-evaluate the DEB multiplier of 1.4 on a scheduled periodic basis, as it does for default variable O&M costs. The re-evaluation will ensure the DEBs are effectively reflecting opportunity costs of resources when mitigated. WPTF proposes that the CAISO conduct its initial evaluation after one year of implementation and at that point discuss with stakeholders an appropriate schedule going forward for continuous re-evaluation.

Gas Price Indices

WPTF appreciates the CAISO proposing to use the ICE Monday-Only gas price index in the day-ahead and real-time markets but request that this element of the proposal be fast-tracked. Having the Monday-Only gas price indices reflected in both the day-ahead and real-time markets market prior to summer would be ideal.

Additionally, WPTF seeks clarification regarding when the CAISO will use the ICE Monday-Only gas price index. The CAISO has already issued draft tariff language to use the ICE Monday-Only gas price index in the day-ahead market within the Aliso Canyon temporary measures, however the CAISO's draft tariff language states "the CAISO *may* [emphasis added] use the Monday-only index when its available . . ." but does not provide any clear criteria it would use to determine cases in which the index is available but is not used per CAISO discretion. WPTF requests that the CAISO, in addition to fast-tracking this aspect of the proposal, establish such criteria upfront with stakeholders.