Department of Energy

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CAISO Local Market Power Mitigation Enhancements
Draft Tariff Language, April 16, 2019
Bonneville Power Administration Comments

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Bonneville Power Administration (Bonneville) appreciates CAISO's extensive work on the Local Market Power Mitigation stakeholder process to date. Bonneville looks forward to participating in the CAISO's call to review the LMPM draft tariff language on May 8. In support of this participation, Bonneville offers these comments on CAISO's draft tariff language for the LMPM process and Default Energy Bid.

Proposed Language, Tariff Section 29.39 EIM Market Power Mitigation

(e) (1) "…An EIM Entity Scheduling Coordinator may elect for the CAISO to limit the incremental net EIM Transfer from above after the MPM process…"

Bonneville Comment

The language "from above" is confusing in this particular context. The phrase could be interpreted to reference either 1) a "cap" (a limit from above); or 2) the EIM Entity Scheduling Coordinator that is the subject of the sentence. Bonneville interprets the phrase "from above" to refer to the EIM Entity Scheduling Coordinator's BAA, but questions whether it should instead refer to the EIM Entity's BAA. In either case, Bonneville believes the language should be modified to remove the ambiguity.

Potential Revision

"…An EIM Entity may elect for the CAISO to limit the incremental net EIM Transfer from its EIM Entity Balancing Authority Area after the MPM process…"

Proposed Language, Tariff Section 31.2.3 Bid Mitigation

> "…to the extent that they exceed the Competitive LMP plus the Competitive LMP Parameter at the resource's Location for the DAM and RTM process interval for which the MPM process applies, will be mitigated to the higher of the resource's Default Energy Bid, as specified in Section 39, or the Competitive LMP plus the Competitive LMP Parameter at the resource's Location for the DAM and RTM process interval for which the MPM process applies."

Bonneville Comment

The commingling of the DAM and RTM markets together in this sentence, along with the use of "and" is confusing. Bonneville recognizes that each market has its own MPM process, and that each MPM process only affects intervals in its respective market. The sentence is technically accurate, but for clarity Bonneville suggests explicit separation of the DAM and RTM in these sentences or, at a minimum, the potential revision below.

Potential Revision

"…at the resource's Location for the DAM or RTM process interval for which the MPM process applies…"

Proposed Language, Tariff Section 34.1.5.5 Competitive LMP Parameter

> "…The CAISO will set the Competitive LMP Parameter as low as possible while reasonably creating price separation in the DAM and RTM process between the area where mitigation applies and other areas where mitigation does not apply."

Bonneville Comment

The language here incorrectly suggests that the Competitive LMP Parameter may be used to create price separation between the DAM and RTM markets. The price separation should be created between the area where mitigation applies and the areas where mitigation does not apply.

Potential Revision

"..The CAISO will set the Competitive LMP Parameter in the DAM and RTM processes as low as possible while creating reasonable price separation between the area where mitigation applies and other areas where mitigation does not apply."

Proposed Language, Tariff Section 39.7.1.7.1 Computation

> "…The CAISO will calculate the Hydro Default Energy Bid as the maximum of the gas floor, the short-term component or the long-term/geographic component…"

Bonneville Comment

Bonneville believes "and" should be used instead of "or."

Potential Revision

"..The CAISO will calculate the Hydro Default Energy Bid as the maximum of the gas floor, the short-term component, and the long-term/geographic component."

Proposed Language, Tariff Section 39.7.1.7.1.2 Short-Term Component

"The CAISO will calculate the short-term component as the maximum of the Day-Ahead peak price at the applicable electric pricing hub, the balance of the month futures prices for the current month at the applicable electric pricing hub, and the monthly index futures price at the applicable electric pricing hub for one (1) month after the current month, multiplied by 1.40."

Bonneville Comment

Bonneville suggests itemizing the elements of the Short-Term component for clarity and suggests specifying the on-peak balance of month index and the on-peak monthly index futures price.

Potential Revision

"The CAISO will calculate the short-term component as 1.40 multiplied by the maximum of:
   A. the Day-Ahead peak price at the applicable electric pricing hub,
   B. the on-peak balance of the month futures price for the current month at the applicable electric pricing hub, and
   C. the on-peak monthly index futures price at the applicable electric pricing hub for one (1) month after the current month."

Proposed Language, Tariff Section 39.7.1.7.1.3 Long-Term/Geographic Component

"The CAISO will calculate the long-term/geographic component as the maximum of the Day-Ahead peak price at the applicable electric pricing hub, the balance of the month futures prices for the current month at the applicable electric pricing hub, and the monthly index futures price at the applicable electric pricing hub for future months up to the maximum storage horizon after the current month, multiplied by 1.1."

Bonneville Comment

Bonneville suggests itemizing the elements of the Long-Term/Geographic Component for clarity and suggests specifying the on-peak balance of month index and the on-peak monthly index futures prices.

Potential Revision

"The CAISO will calculate the long-term/geographic component as 1.1 multiplied by the maximum of:
   A. the Day-Ahead peak price at the applicable electric pricing hub,
   B. the on-peak balance of the month futures price for the current month at the applicable electric pricing hub, and
   C. the on-peak monthly index futures price at the applicable electric pricing hub for future months up to the maximum storage horizon after the current month."

Proposed Language, Tariff Section 39.7.1.7.2.1 Transmission Rights

    (a) "…The Scheduling Coordinator must attest in their submission that they will use the full quantity of the transmission rights to deliver incremental sales from the hydro resource."

Bonneville Comment

Bonneville requests clarity on the intention of this sentence. If the intent is to stress that the source of incremental sales should be the hydro resource, and not, say, market purchases, then Bonneville suggests including language to that effect. As written, the language is somewhat discordant with the concept of opportunity cost, since, if a seller uses the full quantity of its transmission rights to non-default locations, the price at those locations, by definition, cannot represent an opportunity cost. In addition, the use of the term "full quantity of the transmission rights" seems to imply that all available transmission must be used to support the incremental sale. BPA seeks clarity that the specific quantity of transmission must match or be greater than the incremental sales.

Potential Revision

Bonneville suggests striking this sentence.

Proposed Language, Tariff Section 39.7.1.2.1 Transmission Rights

    (b) "For resources with less firm transmission rights than the resource's capacity, the CAISO will use a proportional weighting of those bilateral prices…"

Bonneville Comment

Bonneville interprets this passage to mean that the transmission rights portfolios of participants be employed (in calculating the appropriate proportional weights) in calculation of the weighted average price of the bilateral trading hubs. Further, the term "capacity" may have different practical meaning for hydro resources that are energy limited than it does for thermal resources. Bonneville requests clarifying language that distinguishes between "energy limited hydro generation" and a more traditional usage of the term capacity.

Potential Revision

"For resources with less firm transmission rights than the resource's capacity, the CAISO will use the proportional weighting of the resource's transmission rights to calculate a weighted average of those bilateral trading hub prices."

Proposed Language, Tariff Section 39.7.1.2.2 Maximum Storage Horizon

    (b) "Be supported by (1) a written attestation by a representative that can legally bind the company stating that the value submitted to the CAISO as the maximum storage horizon is consistent with the requirements specified in this section 39.7.1.7.2 (b), or (2) corroborating information submitted to the CAISO, which may include several years of historic reservoir

levels for the specific hydro resource and regulatory filings related to the operations of the hydro resource."

Bonneville Comment
As written, it is somewhat unclear what "legally" is referring to. Bonneville suggests changing "that can legally" to "who has authority to" to clarify.

Potential Revision
"Be supported by (1) a written attestation by a representative who has the authority to bind the company…"