Stakeholder Comments Template

FERC Order 831 – Import Bidding and Market Parameters

This template has been created for submission of stakeholder comments on the FERC Order 831 – Import Bidding and Market Parameters draft final proposal that was published on April 23, 2020. The draft final proposal, stakeholder call presentation, and other information related to this initiative may be found on the initiative webpage at: http://www.caiso.com/StakeholderProcesses/FERC-Order-831-Import-bidding-and-market-parameters.

Upon completion of this template, please submit it to initiativecomments@caiso.com. Submissions are requested by close of business on **May 20, 2020**.

Submitted by	Organization	Date Submitted
Brian Theaker *530-295-3305*	*Middle River Power, LLC ("MRP")*	*May 20, 2020*

Please provide your organization's comments on the following issues and questions.

MRP will refer to the April 23, 2020 Draft Final Proposal using the initialism "DFP" in these comments. MRP comments on only two aspects of the CAISO DFP – on (1) using the last economic bid instead of the power balance constraint relaxation penalty price when that penalty price is $2,000/MWh, and on (2) the proposed different treatment of RA imports and non-RA imports.

1. **Power Balance Constraint Relaxation Pricing and Constraint Penalty Prices**

   Please state your organization's position on the Power Balance Constraint Relaxation Pricing and Constraint Penalty Prices as described in section 4.1: (Please indicate Support, Support with caveats, Oppose, or Oppose with caveats)

   Oppose with caveats.

   Please provide additional details to explain your organization's position and include supporting examples if applicable:

   MRP supports the majority of the CAISO's proposal, including (1) how to determine the maximum import bid price; (2) setting the power balance constraint penalty price to $2,000/MWh and scaling the asspciated market optimization penalty prices when the maximum import bid price or the price of a cost-justifed energy bid from an internal resource exceeds $1,000/MWh. MRP does not support the CAISO's proposal to use the highest economic bid instead of the power balance constraint relaxation penalty price when that penalty price is $2,000/MWh. This proposal is inconsistent with longstanding practice and not sufficiently supported.

In the DFP, the CAISO did not fully explain why it believed that using the highest-priced economic bid rather than the $2,000/MWh relaxation penalty price was appropriate. Instead, the CAISO explained that setting the energy price using the highest economic bid rather than the $2,000/MWh power balance contraint relaxation penalty price is similar to the "price discovery mechanism" used during the start-up period for new balancing authority areas in the Energy Imbalance Market ("EIM") and in the EIM's "available balancing capacity" feature.[1]

The CAISO also related the expectation from the Department of Market Monitoring ("DMM") that cost-justified bids above $1,000/MWh would occur infrequently.[2]

Finally, the CAISO noted that the CAISO's Market Surveillance Committee observed that setting the power balance contraint relaxation penalty price to $2,000/MWh would provide an improved scarcity price signal that would encourage resources to respond to dispatch instructions to meet operational needs and encourage import resources to be backed by real capacity so as to be able to deliver their Day-Ahead energy schedules.[3]

The CAISO currently sets the energy price to the power balance constraint relaxation penalty price, rather than the price of the last economic bid, when it must relax the power balance constraint to achieve a market solution. This is logical; if the last economic bid had allowed the CAISO to satisfy the power balance constraint, it would have not been necessary to relax the power balance constraint. The DFP provides no explanation or evidence as to why increasing the relaxation penalty price consistent with Order 831's directives to increase the energy offer cap warrants deviating from longstanding practice.

The risk of undue economic impact of using a $2,000/MWh relaxation price seems small, given DMM's expectation that the energy offer cap price and the power balance constraint relaxation penalty price will be set at $2,000/MWh infrequently. The additional incentive the higher penalty price will create for delivering day-ahead energy schedules also will provide some positive, if difficult to quantify, benefit.

In sum, the CAISO's proposal for setting the energy offer cap and the power balance constraint relaxation penalty price are reasonable. The CAISO's proposal to use the last economic bid price insted of the $2,000/MWh power balance contraint relaxation penalty price when it must relax the power balance constraint is not reasonable and MRP opposes it.

2. Screening import and virtual bids greater than $1,000/MWh

[1] DFP at page 13.
[2] DFP at pages 7-8.
[3] DFP at page 8.

Please state your organization’s position on screening import and virtual bids greater than $1,000/MWh as described in section 4.2: (Please indicate Support, Support with caveats, Oppose, or Oppose with caveats)

MRP provides no comment on this topic.

Please provide additional details to explain your organization’s position and include supporting examples if applicable:

3. **Application of screen to Resource Adequacy Imports**

Please state your organization’s position on the application of screening import and virtual bids greater than $1,000/MWh to Resource Adequacy Imports as described in section 4.2.1: (Please indicate Support, Support with caveats, Oppose, or Oppose with caveats)

Oppose with caveats.

Please provide additional details to explain your organization’s position and include supporting examples if applicable:

The CAISO proposes that it will reduce the energy bid price of Resource Adequacy (“RA”) Imports to the greater of $1,000/MWh or the maximum import bid price. The CAISO also proposes that it will NOT reduce the energy bid price of non-RA imports if the CAISO has a cost-justified bid price or maximum import price above $1,000/MWh.

The ostensible reason for this disparate treatment is that the RA import is committed to offering to California, while the non-RA import is not, so not reducing the bid price of non-RA imports will encourage these resources to offer to California, while no further incentive is required to ensure RA imports offer to California. This proposed treatment, however, discriminates between energy offers from RA import resources and energy offers from non-RA import offers. Restricting the energy bids from RA import resources but not from non-RA import resources could discourage imports from selling RA capacity, which does not seem like a desirable outcome.

Finally, MRP wishes to comment on this sentence from page 19 of the DFP:

> Although this [reducing RA import energy offer prices] may impose a risk that a resource adequacy import bid may be reduced to a price below a supplier’s cost, cuppliers can factor this risk into their bilateral resource adequacy contracting price.

MRP does not understand why RA buyers would be willing to compensate a supplier for the supplier’s risks in participating in the CAISO’s energy markets. This “mitigate your energy risk through your RA contract” position abdicates responsibility for constructing energy markets that compensate sellers appropriately.

4. **Maximum Import Bid Price Calculation**

Please state your organization's position on the Maximum Import Bid Price Calculation topic as described in section 4.2.2: (Please indicate Support, Support with caveats, Oppose, or Oppose with caveats)

MRP provides no comment on this topic.

Please provide additional details to explain your organization's position and include supporting examples if applicable:

Additional comments

Please offer any other feedback your organization would like to provide on the FERC Order 831 – Import Bidding and Market Parameters draft final proposal.