COMMENTS OF NV ENERGY
COMMITMENT COSTS AND DEFAULT ENERGY BID ENHANCEMENTS
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CAISO STAKEHOLDER PROCESS

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NV Energy is supportive of efforts by the ISO to enhance the market design to allow market participants increased flexibility in regards to the formation and submission of their supply bids and to reform the Default Energy Bid (DEB) methodology to ensure appropriate recovery of actual supply costs. Given that NV Energy is one of three market participants that must bid the DEB at all times, this initiative is of special importance. Thus, NV Energy is very appreciative of the time and effort the ISO has spent adding the additional detail to its straw proposals to facilitate further review from stakeholders.

I. NV Energy's Position

a. Hourly Minimum Load Offers

The ISO proposes to allow hourly minimum load bidding, but has changed the proposal from locking the bid during the resource's inter-temporal constraints once committed to limiting the bid to an average of the supplier's minimum load bid. NV Energy is appreciative of the additional information provided by the ISO for this proposal and supports the proposal to limit the minimum load bid to the average bid during the resource's inter-temporal constraint. Commitment cost bids are used in the bid cost recovery calculation, therefore, NV Energy requests the ISO to post the bids used for this calculation in the market participant portal. Otherwise, this would become burdensome on the market participants to verify the bid cost recovery calculation without the commitment cost offer used when bids are averaged or limited to a mitigated bid.

b. Apply Settlement Rules when No Minimum Load Cost Offer Is Present

The ISO proposes to insert a minimum load cost for bid cost recovery purposes at the proxy cost calculation when STUC commits a resource that does not have bids in all hours of its inter-temporal constraints. An hour without a minimum load and energy offer should be considered an hour the market participant does not wish to participate within the market.
NV Energy is supportive of the ISO's proxy cost insertion for bid cost recovery if the market optimization engine is not capable of not committing resources that lack bids to support the resource's registered inter-temporal constraints. If this enhancement cannot be included at this

time, NV Energy recommends this optimization commitment functionality be added to a stakeholder process catalogue at the earliest possible date.

c. Add Negotiated Option for Commitment Cost Reference Levels

NV Energy is supportive of the additional negotiated option to create a mitigated commitment cost bid. Additionally, NV Energy is appreciative of the additional information provided to understand which bidding rules will remain in place and the additional supporting details for the future enhancements.

d. Allow Supplier provided ex ante Reference Level Adjustment Subject to Verification Requirements

NV Energy strongly supports the ex ante reference level adjustment subject to ex post verification requirements. This is a much needed enhancement for the EIM market participants required to bid at or below the ISO calculated default energy bid at all times.

NV Energy also supports the establishment of an audit process with a clawback rule to clawback market revenues or uplift payments when the reference level adjustment is not substantiated. However, NV Energy requests more clarification about the needed supporting documentation for a fuel price adjustment. Will it be possible to negotiate a different trading hub for the intraday electronic trading platform information? Gas markets at smaller gas trading hubs, especially within the EIM, do not have much activity, if any, on an intraday electronic trading platform. In addition, the ISO is requesting 5-10 price quotes when trading off a trading platform as a separate method to provide supporting documentation for an update to a reference level. NV Energy understands the importance of price quotes, however, it is common to only receive 2 - 3 price quotes when trading at an illiquid intraday gas hub. Most counterparties will not be able to supply a price quote or an offer for gas. Will these non-offers be sufficient to show that the market participant did their due diligence and count towards the 5-10 price quotes? If not, will these non-offers be sufficient to show there are fuel scarcity conditions? Additionally, how should fuel be valued in a fuel scarcity condition? Given that one of the objectives of this initiative is to provide a means for EIM Entities to voluntarily offer all of their units, including resources that may be subject to intra-day gas costs, it is of the utmost importance that the verification process be not only strong enough to ensure that the costs are reflective of actual conditions, but also not too onerous that it cannot be met as a matter of practical implementation. Stated another way, if an EIM Entity cannot reasonably meet the verification criteria, they will have no choice but to continue the current practice of not bidding units subject to potential shortfalls in recovery of actual gas costs.

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e. Market Based Commitment Cost subject to Mitigation

NV Energy is very appreciative of the clarification provided on the proposed commitment cost bidding cap of 300% and the proposed market power mitigation mechanism for commitment cost offers. Moreover, NV Energy is understanding of the proposed bidding cap and market power mitigation mechanisms. However, NV Energy believes that the ISO should specify what metrics will be used to measure the success of the mitigation methodology and at what increments the ISO plans to increase this bidding cap. Does the ISO plan to increase this commitment cost bid cap through a stakeholder process?

The ISO updated its proposal to apply market power mitigation separately to commitment and energy bids. NV Energy remains neutral of the new proposal to treat energy and commitment cost components separately.