COMMENTS OF NV ENERGY
COMMITMENT COSTS AND DEFAULT ENERGY BID ENHANCEMENTS
DATED JULY 6TH, 2017
CAISO STAKEHOLDER PROCESS

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NV Energy is supportive of efforts by the CAISO 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 CAISO has spent defining the bidding flexibility issue, while also providing material for stakeholders to review, and of the significant enhancements reflected in the latest proposal.

I. NV Energy's Position

a. Hourly Minimum Load Offers

NV Energy is supportive of CAISO allowing hourly Minimum Load Cost (MLC) bidding with a locked bid during the minimum run time of the resource. This market enhancement will provide more bidding flexibility to market participants while balancing the risk against market manipulation. NV Energy requests more clarification as to why Startup Costs and Transition Costs are not proposed for hourly bidding, as well. It seems unusual that a resource could pull the MLC bid to reflect no market participation for certain hours, however, the resource would still have the Startup and Transition bids provided from the previous hour's participation.

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

NV Energy does not support this proposal and does not understand why STUC would commit a resource that did not submit bids to support its minimum run time, especially in the context of voluntary EIM participation. This should be a clear indicator that the resource does not want to participate during the hours no MLC bid exists. If this is a market optimization engine software limitation, then is it possible for the CAISO to insert the MLC bid at the locked bid for settling the uplift. This would protect the resource against under-recovering actual costs and ease the burden on the market participant to quickly catch all market commitments to insert bids. There is a potential risk relying on the market participant to insert the MLC bid after a resource commitment because the bid has to be submitted at T-75 which is shortly after the STUC result publication. Furthermore, NV Energy does not understand how this settlement rule would work when the Startup and Transition cost bids will remain a daily bid. Will STUC only commit a resource when all bid components (Start, MLC, Transition, and Energy) exist?

c. Add Negotiated Option for Commitment Cost Reference Levels

NV Energy supports expanding the negotiated option to all commitment cost components, however, requests more clarification on the terms of the negotiation. For instance, will an hourly resource physical constraint re-rate due to ambient conditions be considered a negotiated option? Or will the proxy cost calculation use the pmin re-rate from the Outage Management System (OMS) as a base for the new calculated hourly MLC calculation? It is unclear which rules from previous initiatives will no longer be in place and which rules from the original bidding framework will remain. Will the use limited opportunity cost adder continue to be calculated by CAISO and added to the proxy cost calculation for the MLC bid? If not, is this a negotiated parameter or will the market participant only be allowed to reflect opportunity costs for use limited resources in the market based commitment cost bid?

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 significant enhancement from the requirement to file at FERC under all circumstances. NV Energy understands that the thresholds for acceptable adjustments will not be published by the market and accepts that this is a necessary step to protect the market from manipulation. 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 reference level adjustment process. For instance, does CAISO plan to publish the negotiated or estimated administratively calculated cost for each hour for all bid types? Also, how will the participant notify CAISO that there is a need to adjust a reference level? Will there be a flag in SIBR or a separate field to enter in the adjustment with an adjustment reason? How much time will be needed for the ex ante verification to accept the bid? Should the reference level adjustment be requested prior to the T-75 timeline?

NV Energy is also requesting more clarification for the documentation that would be needed for fuel adjustments. What documentation is needed to reflect gas scarcity in the market and where was the 4pm timeframe for gas scarcity event derived? Additionally, NV Energy is requesting more clarification on the Off-ICE quotes. Are these quotes price per volume or price for delivery point?

e. Market Based Commitment Cost subject to Mitigation

NV Energy is in support of a market-based commitment offer with the application of a dynamic market power mitigation mechanism. A market-based commitment offer should increase market participation by allowing resources to quantify the value of the resource to the market. Market participants who have the most up to date information on the resource could value the resources limitations, use of storage, and/or risks for managing the resource commitments under a longer time horizon than the market optimization is capable of running.

CAISO also proposes to establish a bidding cap starting at 300% of the proxy cost calculation that would increase over time. NV Energy understands the importance of ensuring that the dynamic market power mitigation is operating properly, however, does not support a market based commitment cost bid cap. CAISO does not specify what metrics will be used to determine the level for when to adjust the bidding cap, the timeframe for adjustments, or the amount of the adjustments. NV Energy believes it would be more appropriate for CAISO to suspend market based commitment cost bids if it is determined that the market power mitigation is not operating properly.