California ISO

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
Jared Rist 202-297-7914	*Pacific Gas & Electric (PG&E)*	*5/22/2020*

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

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)

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

PG&E supports the CAISO's power balance constraint relaxation pricing and constraint penalty prices section of the proposal. The CAISO does not need to allow the market price to jump to $2,000/MWh when the power balance constraint needs to be relaxed. A $2,000/MWh price can potentially be unnecessarily costly without any market efficiency benefits because in theory at that price you have passed all the economic bids to clear the market and at $2,000/MWh you risk incenting participants to withhold capacity to hit that high penalty price. Arguments about $2,000/MWh providing appropriate scarcity pricing signals are out of scope of this initiative.

PG&E understands that in the FRP refinements initiative the CAISO proposes to produce stepped scarcity pricing before setting energy prices at $1,000/MWh when the nodal approach is deployed. Further, PG&E asks if the implementation timeline for the FRP nodal approach development will align with implementing FERC Order 831, and additionally how the steps in scarcity pricing will be scaled when the bid cap is triggered to raise to $2,000/MWh in a day.

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

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)

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

PG&E supports the CAISO proposal to screen import and virtual bids greater than $1,000/MWh, requiring some cost justification for them to be eligible to set the price higher than $1,000/MWh in the energy market. In FERC Order 831 paragraph 197 it states that the FERC "would consider proposals by RTOs/ISOs to verify or otherwise review the costs of imports or exports and/or develop additional mitigation provisions for import and export transactions above $1,000/MWh." Given the CAISO's reliance on imports and system market power concerns the CAISO has seen in previous years, it is appropriate for the CAISO to subject import bids to cost verification or a screening process.

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)

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

PG&E supports with caveats applying CAISO's proposed screening process towards all non-resource specific import bids and reducing the bids of the Resource Adequacy (RA) import resources to the higher of $1,000/MWh or the CAISO calculated maxium import bid price when they fail the screen. PG&E thinks this screen and bid reduction is a step in the right direction to prevent import RA bids from freely and unnecessarily bidding up to the new $2,000/MWh bid cap.

However, PG&E believes that since California ratepayers are paying for this capacity to be designated as RA for the purpose of serving load, CAISO should be clear in terms of what we are getting from these import RA payments and resources. As is being discussed in the CAISO's RA Enhancements intitiative, one key issue is making sure that CAISO is able to receive the energy from RA resources when we need it, and that there are non recallability provisions from other BAs so that CAISO can ensure we get the power when needed. A second key issue is raised by this initiative, as CAISO proposes that the screen price for non-unit specific import RA resources would be based on the hub prices in neighboring areas. With this proposal, the CAISO is calculating a import price that enables its market prices to compete for the energy with other entities in bilateral markets who did not already make a payment for the capacity. By screening these bids in comparision to a bilateral hub index (Mid-C or Palo Verde) plus a 10% adder, the CAISO is saying that these RA imports must be obtained with a competitive western price that does not limit what the resource could have gotten in another market. Additionally, it means that CAISO must compete for this energy with other bilateral transactors in the west. PG&E would like the CAISO to explain how the current import RA framework combined with the CAISO's proposed import opportunity cost will benefit ratepayers. The investment in RA capacity should ensure that California ratepayers do not have to compete for energy from these resources once the price reaches a certain level. Further, the CAISO should clearly lay out how it would obtain the energy for RA resources and what price it would pay if there is a shortage throughout the west.

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)

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

PG&E supports with caveats the maximum import bid price calculation for screening non-RA import energy. PG&E's position on the maximum import bid price calculation and its application to RA import energy is discussed above in section 3. Non-RA import energy is not dedicated to the CAISO, so a reasonableness screen of the import bids to determine how high they should be allowed to clear and set the energy price in the CAISO energy market should include the opportunity cost that they could receive from selling into other bilateral markets. The 10% adder provides a buffer that is at minimum sufficient and at most might be unnecessarily high, prodiving at least $100 on top of the CAISO's hourly shaping of the bilateral hub index price.

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.