

Stakeholder Comments Template

FERC Order 831 – Import Bidding and Market Parameters



California ISO This template has been created for submission of stakeholder comments on the FERC Order 831 – Import Bidding and Market Parameters revised straw proposal that was published on November 26, 2019. The proposal, meeting 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 **December 19, 2019**.

Submitted by	Organization	Date Submitted
Nate Moore (425) 456-2622	PSE	December 19, 2019

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

1. Import bids greater than \$1,000/MWh

Please provide your organization’s feedback on import bids greater than \$1,000/MWh as described in section 4.1. Please explain your rationale and include examples if applicable.

2. Maximum import bid price calculation

Please provide your organization’s position on the ISO’s proposal to calculate a maximum import bid price to “cost-verify” import bids and its components:

3. Implementing the maximum import bid price

Please provide your organization’s feedback on the following options proposed for implementing the maximum import bid price as described in section 4.1.2. Please explain your rationale and include examples if applicable.

Option 1 - Implements the maximum import bid price as a cap import bids to the maximum of \$1,000/MWh or the CAISO-calculated maximum import bid price:

Option 2 - Implements the maximum import bid price by reducing import bids above both \$1,000/MWh and the CAISO-calculated maximum import bid price to the greater of maximum import bid price or \$1,000/MWh:

4. Market constraint relaxation parameter prices based on verified bids

Please provide your organization's feedback on the following options proposed to address market constraint relaxation parameter prices based on verified bids as described in section 4.2. Please explain your rationale and include examples if applicable.

Option 1 - Scale penalty prices relative to the power balance constraint relaxation penalty price set at the \$2,000/MWh hard energy bid cap:

PSE does not support option 1. For energy prices to be above \$1,000, CAISO must verify the cost based bids that are setting the marginal price above \$1,000. This is expected to only occur in rare, scarcity events – much less frequently than power balance constraint violations/failures. Increasing the penalty to \$2,000 unjustly penalizes those failing the power balance constraint, and could result in unreasonable costs to customers due to the risk of onerous penalties.

PSE believes that EIM entities are unfairly penalized even under the current penalty price of \$1000 because the penalty is not rationally related to the degree of shortage. PSE proposes a third option, discussed further below, that may more appropriately apply the penalty price.

Option 2 - Scale penalty prices relative to the power balance constraint relaxation penalty price set at the \$2,000/MWh hard energy bid cap only when there are bids in the market that have been cost-verified at a price greater than \$1,000/MWh:

Option 2A – Set energy prices in pricing run based on applying the “price discovery mechanism” when there the power balance constraint needs to be relaxed:

Option 2B – Set energy prices in pricing run based on \$2,000/MWh power balance constraint penalty price:

PSE does not support option 2B. Nor does PSE fully support option 2A. While both options take into account energy bids cleared by the market, both options are not workable for PSE.

The EIM is a voluntary energy market and the hourly sufficiency tests do not test for resource adequacy – they are designed to ensure that an EIM entity does not lean on other entities. Applying high price power balance constraints to EIM entities does not

achieve the initial purpose of the penalty price in the constraint - to incent additional generation build and bidding into the market.

Each EIM entity outside of the CAISO, including PSE, builds and contracts for energy and capacity supplies based on needs defined by their individual integrated resource plan (IRP) processes and additional requirements from state regulators. Additionally, EIM entities sometimes trigger the power balance constraint violation due to non-scarcity issues such as data integrity and IT shortcomings such as timeliness of data required for market runs. For example, PSE has failed the power balance constraint due to unrealistic flexible ramp requirements (PSE has raised concerns regarding the development of flexible ramp requirements in multiple CAISO forums – most recently PSE submitted written comments in the Flexible Ramping Product initiative requesting that CAISO expand the scope of that initiative to include this issue).

PSE appreciates that there is a need for a power balance constraint and associated penalty price when violated. In this regard, PSE would supports a third option that consists of a graduated penalty price curve where penalty prices increase relative to the MW quantity of the shortage and the penalty price curve is capped at the highest cost-verified offer. This approach would be similar to the approach that CAISO currently employs for shortage pricing for reserves, and address the concerns set forth above.

Additional comments

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

PSE opposes the decisional classification proposed for this initiative. The EIM Governing Body (EIM GB) has primary authority when a proposed rule “is EIM specific in the sense that it applies uniquely or differently in the balancing authority areas of the EIM Entities, as opposed to a generally applicable rule...” PSE believes that the power balance constraint penalty applies differently to EIM entities for the reasons set forth above. Consequently, the EIM GB should have primary decisional authority in this initiative.