PUGET SOUND ENERGY COMMENTS
LOCAL MARKET POWER MITIGATION ENHANCEMENTS STRAW PROPOSAL
OCTOBER 3, 2018

Puget Sound Energy (PSE) appreciates the opportunity to provide the following comments on the Local Market Power Mitigation (LMPM) Enhancements Straw Proposal (Straw Proposal).

COMMENTS

1. Section 5.1 of the Straw Proposal proposes changes to the LMPM framework to prevent "flow reversal" and "economic displacement between mitigated balancing authority areas." Both proposals implicate the competitive locational marginal price (LMP). It would be helpful for CAISO to provide additional background on the competitive LMP as a market construct (e.g., how it is calculated, examples, detailed description of its design, etc.). This information would enable PSE, and likely other entities, to more thoroughly understand CAISO's proposals for changing the LMPM framework. PSE suggests presenting this background information at the upcoming stakeholder workshop on this initiative, and adding this information to the next iteration of the proposal.
2. In Section 5.1.2 of the Straw Proposal, CAISO explains that mitigation is triggered when two or more EIM BAAs are import constrained. CAISO appears to be proposing to limit transfers between the EIM BAAs to the scheduled quantity prior to mitigation (the pre-mitigation transfer) within the bubble. PSE notes, however, that it may not be appropriate to limit transfers to this quantity because the pre-mitigation transfer quantity is developed based on unmitigated bids that have potential market power. Other options the CAISO might consider include limiting transfers to the quantity in the previous interval (similar to the concept utilized for the flex ramp test), or the original transfer limit.
3. PSE also requests that CAISO clarify in which direction(s) transfers will be limited during the mitigation pass under the proposal to limit transfers between EIM BAAs in Section 5.1.2 of the Straw Proposal. For example: two EIM entities (BAA1 and BAA2) are in an import constrained bubble, and the original transfer limit is 150MW in both directions. The pre-mitigation transfer from BAA1 to BAA2 is 100MW. Under the proposal, it appears that any transfer from BAA1 to BAA2 would be limited to 100MW, but what is the limit on flows from BAA2 to BAA1?

4. Section 5.3.2 of the Straw Proposal recognizes that real-time electricity trading prices may exceed the DA Peak Index as reflected in the following proposed formula:

$$DEB = MAX\ (DA\ Peak\ Index, MA\ Index_{+1}, MA\ Index_{+2}, \ldots, MA\ Index_{+N}) \times 110\%$$

CAISO proposes to: (1) allow EIM use-limited resources to manually request a reference level adjustment based on real-time electricity prices; and (2) automatically approve the request up to a reasonableness threshold. The straw proposal further suggests that any adjustment requests beyond the reasonableness threshold will be subject to manual verification by the CAISO.

PSE requests that the reasonableness threshold be calculated for each resource in real-time considering each resource's relevant bilateral and index prices. PSE also proposes that CAISO establish a systematic and automatic process to adjust DEBs to the reasonableness threshold, rather than use ad-hoc requests from market participants. A systematic and automatic approach to calculating the reasonableness threshold will ensure that all use-limited resources are treated fairly and in the same manner. PSE agrees that any reference level adjustment request beyond the reasonableness threshold should be subject to manual verification by the CAISO.