



California ISO

Commitment Cost and Default Energy Bid Enhancements Resubmittal 2020

Market Design Policy/Legal

February 27, 2020

History/Background

- *March 2018* – CAISO Board of Governors approves CCDEBE proposal
 - Update commitment costs and default energy bids
 - Add commitment cost market power mitigation and higher bid caps
 - Make permanent certain interim Aliso Canyon measures
- *March 2019* – CAISO Board of Governors approves Local Market Power Mitigation Enhancements proposal
 - Include more up-to-date gas indices for day-ahead and real-time market (Monday-Only index)

History/Background continued

- *June 2019* – Tariff stakeholder process propose two phases to CCDEBE
 - *Phase 1* - Updates to reference level enhancements and make permanent interim Aliso Canyon measures; updated indices rules from LMPME
 - *Phase 2* – Commitment cost market power mitigation and higher bid caps
- *August 2019* – Filed Phase 1 Tariff at FERC
- *2022* – Phase 2 tariff stakeholder process and filing at FERC

Summary of filing:

- Allow suppliers to request adjustments to reference levels
- Retain 125% multiplier commitment costs and 110% multiplier to default energy bid costs
 - Multipliers included in reference level change requests
- Allow use of Monday-only index and updates in real-time
- Permanently implement interim Aliso Canyon measures
 - Improve the accuracy of the gas commodity price indices used in day-ahead market
 - Provide suppliers advisory schedules two days before the trade date)
 - Clarify that the bid-effectiveness thresholds in the tariff apply to nomograms individual flowgates

FERC process

- *October 7, 2019* - CAISO answer to comments and limited protest
 - Clarified second sentence of proposed section 30.11.1.1
 - Typographical and cross-reference errors in Section 30.11.1.1 and 30.11.3.4 (b)
 - Inadvertent omission of proposed deletion of Section 31.6.1 (v)
- *November 4, 2019* – FERC issued Deficiency Letter

FERC process continued

- *November 22, 2019* – CAISO response to FERC's deficiency letter
 - Presented data that supports 10 percent multiplier for fuel costs
 - Confirmed Monday-only index is severable from the rest of the proposed changes
 - Clarified gas penalties not accepted in after-the-fact demonstration, proposed adding language to 30.12.1
 - Agreed to modify BPM and add language to section 30.11.2.1 to reflect gas penalties to no longer accept before-the-fact verification process
 - Added clarifications to section 30.11.3.1 regarding prohibition on submitting reference level changes to inflate default energy bids or default commitment cost bids

FERC January 21, 2020 Order

- Approved measures effective January 28, 2020:
 - Day-ahead updated index – Section 39.7.1.1.1.3 (a)-(c)
 - Communications prior to DAM – Section 6.5.2.2.3
 - Greenhouse gas indices – Section 6.5.2.2.3
 - Real-time price index update – Section 6.5.4.2.3
 - Deletion of Section 30.4.1.2.(b)
 - Monday only index – Section 39.7.1.1.1.3 (b)-(c)
 - Bid effectiveness threshold – Section 27.4.3.6
- Compliance filing due Feb 21 to delete 31.6.1.(v)

FERC January 21, 2020 Order rejected CCDEDBE changes

- FERC explicitly rejected including the 125% multiplier included in calculating commitment costs in the context of reference level changes.
- FERC did not rule out the remainder of the proposal

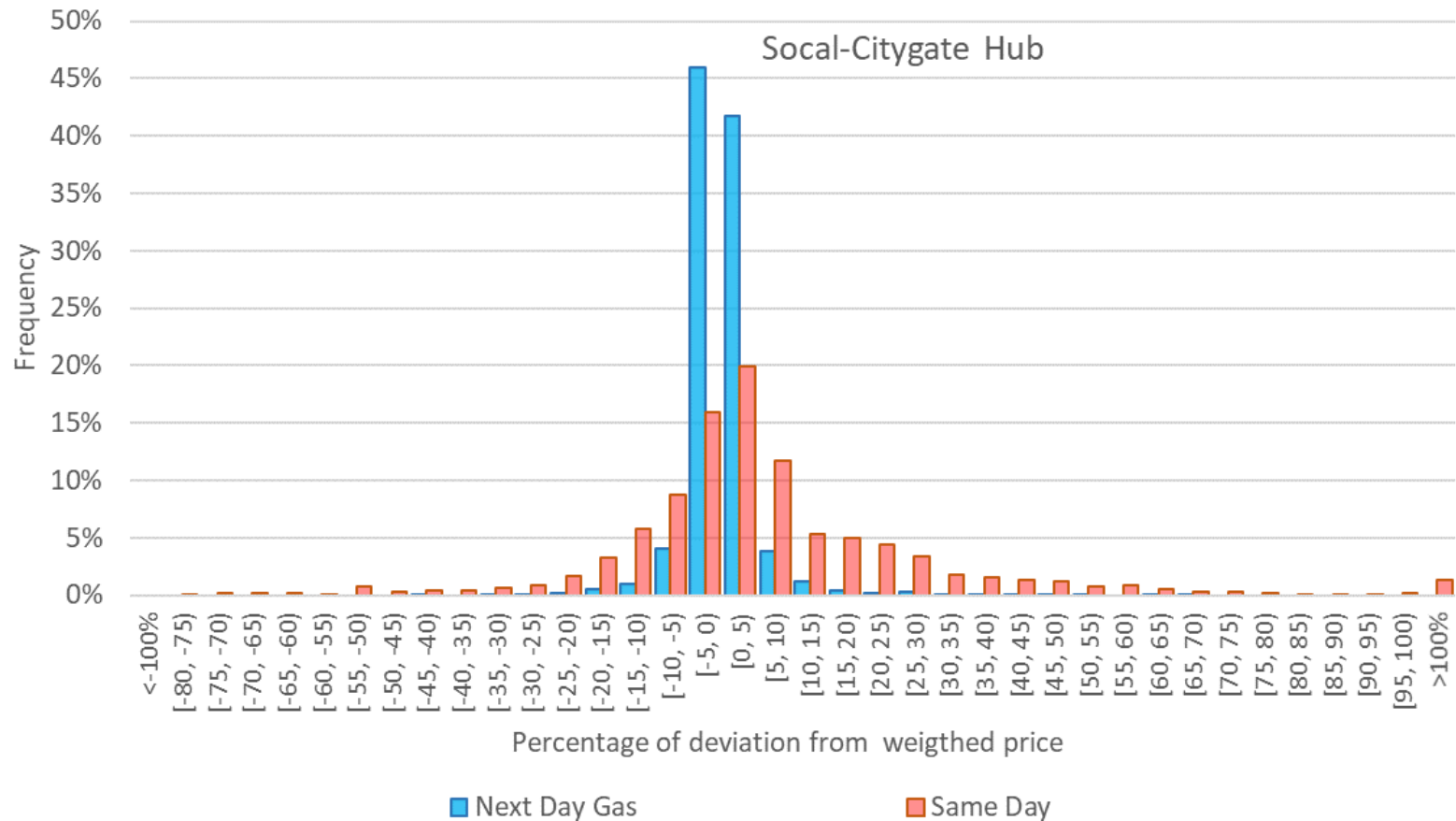
CAISO plans to resubmittal the bulk of the CCDEBE tariff language with changes consistent with FERC's direction

- Data justifies a 110% multiplier in default commitment cost bids given the ability to make reference level adjustments
- Propose to reduce the multiplier in default commitment cost bids to 110%

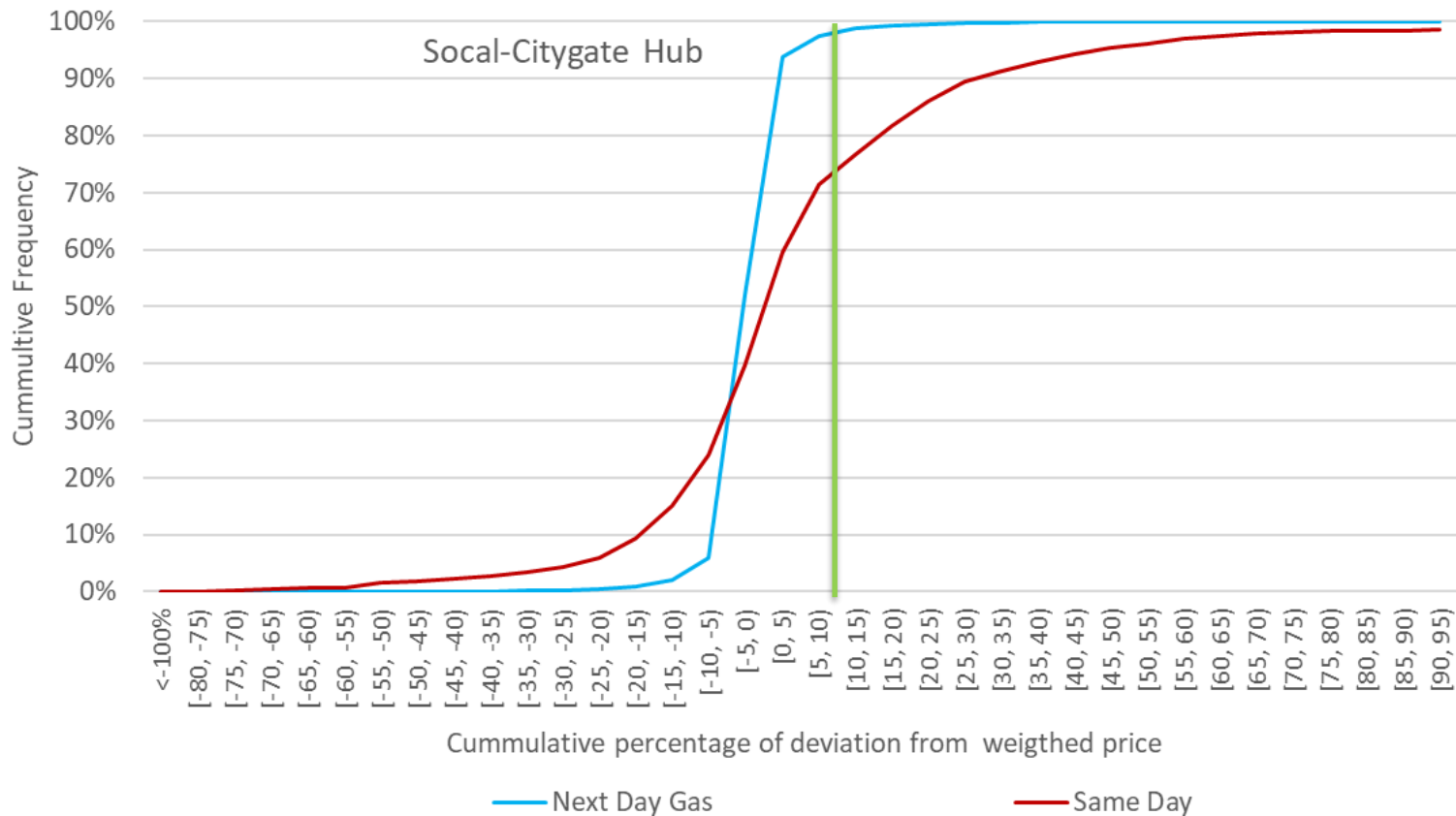
110% multiplier in the calculation of commitment cost bid caps is still appropriate in the context of reference level adjustments

- Captures:
 - Differences between estimated and actual costs that may change over the day, due to
 - Automatic reference level adjustments are capped at 110% for the entire day
 - Manual reference level adjustments are only available in the morning
 - Hard to define costs
 - Pre-defined administrative formulas cannot always accurately reflect actual costs
- 110% multiplier also eases administrative burden by decreasing the need for reference level adjustment requests

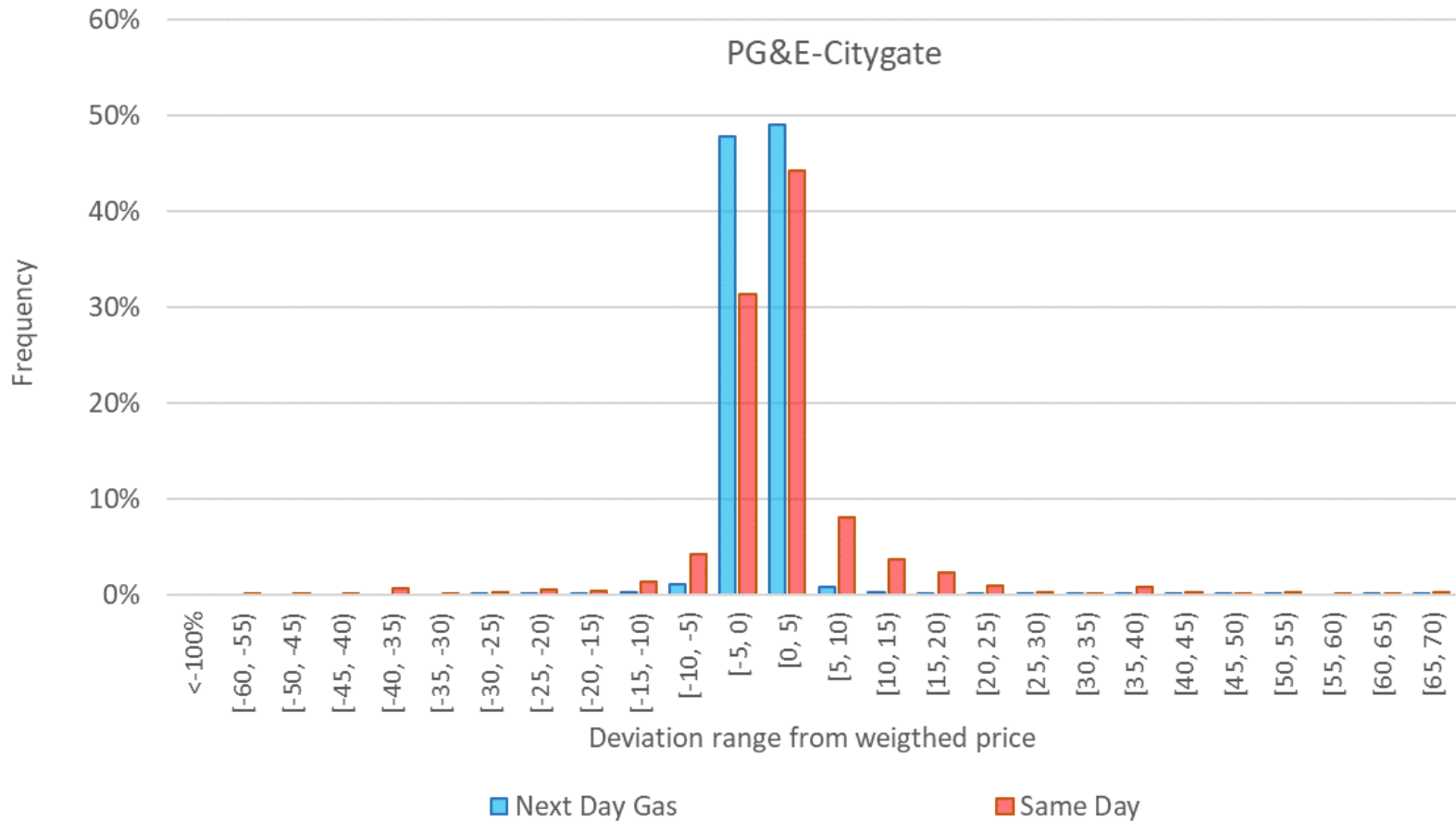
SoCal-City Gate Hub Prices deviation from weighted average price



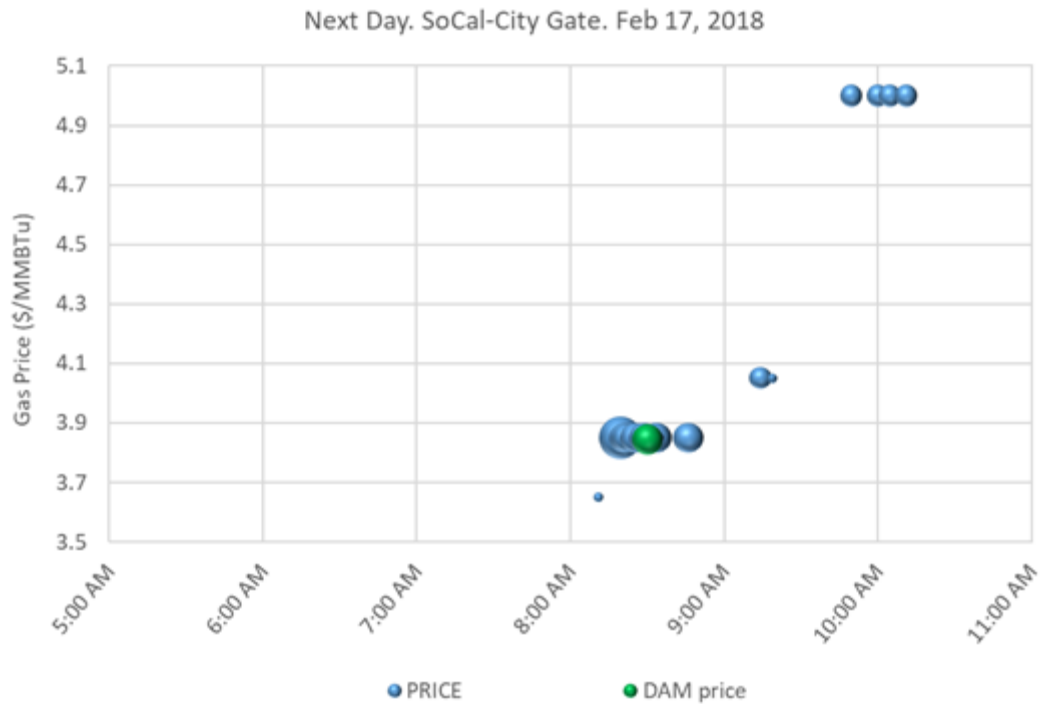
SoCal-City Gate Hub Prices deviation from weighted average price



PG&E Gate Hub Prices deviation from weighted average price



Next day price variations – SoCal- Citygate



PG&E Citygate and SoCal Citygate Natural Gas Next-Day Gas Index Prices Compared to Real-Time Gas Prices

