



California ISO

Gas Resource Management


Working Group 2

August 22, 2023

Housekeeping reminders

- This call is being recorded for informational and convenience purposes only. Any related transcriptions should not be reprinted without ISO's permission.
- These collaborative working groups are intended to stimulate open dialogue and engage different perspectives.
- Please keep comments professional and respectful.
- Please try and be brief and refrain from repeating what has already been said so that we can manage the time efficiently.

Instructions for raising your hand to ask a question

- If you are connected to audio through your computer or used the “call me” option, select the raise hand icon  located on the top right above the chat window. **Note:** #2 only works if you dialed into the meeting.
 - Please remember to state your name and affiliation before making your comment.
- If you need technical assistance during the meeting, please send a chat to the event producer.
- You may also send your question via chat to either Isabella Nicosia or to all panelists.

Reminder: Goals of the GRM Working Group

Stakeholders have the opportunity to provide input on key components leading up to proposal development--

1. Form Problem Statements:

- Define and illustrate principles for market design
- Form draft problem statements reflecting stakeholder concerns

2. Illustrate/Justify problem statements:

- **Identify the root cause of stakeholder problem statements. If stakeholders do not know the root cause:**
 - Explore how current ISO market policy and processes reflect principles and support market objectives
 - Determine how these policies and processes may not meet their intended goals
- **Asses the impact of identified policy problems on market outcomes** by developing methodology for analysis, define data needs

How to build a Problem Statement

What's a problem statement? An issue or challenge related to CAISO market policy or processes that impacts market outcomes.

- Problem statements help identify the root cause of issues and facilitate assessment

What makes a good problem statement?

- Reflect principles by describing how basic principles of market design are not being met
- Identify the root cause of problem in terms of existing CAISO market design and processes meant to achieve desired market outcomes
- Justify or illustrate how problems might impact the market's ability to achieve desired outcomes

Problem Statements 101: Definitions

Term and Definition	Example
Market outcomes are the primary goals of a centralized market	Reliability, least-cost dispatch, real-time cost competition, non-discrimination
Principles are the broad goals of market design that achieve those market outcomes	Efficiency, transparency, simplicity
Policy or process describes an existing CAISO market policy or process that supports market outcomes.	“A uniform price auction facilitates cost competition”
Policy principles describe <i>how</i> a policy helps achieve market outcomes with respect to specific principles	“Price signals send a visible competitive benchmark (transparency) to all market participants (simplicity) to incentivize true cost bidding (efficiency)”
Root cause describes the failure of an existing policy to help achieve market outcomes	“Resources may not include certain costs in energy bids, reducing incentives necessary for cost competition”

Problem Statements 101: Example

- Lack of confidence in cost recovery mechanisms because true commitment costs, start-up and min load, can not be reflected in bids due to commitment cost “caps” (125%) impacts reliability when resources do not come to market.

Market outcome = reliability

Policy = commitment cost caps

Policy principle = efficiency

What we heard from stakeholder comments

- Gas transportation rate(s) be accounted for
- Additional policy items [Commitment Cost & Default Energy Bid Enhancements (CCDEBE)] to be implemented
- Gas cost recovery when bids are mitigated
- Real-Time market volatility
- Illiquidity in the evening nomination cycle for gas market
- Expanding scope of how opportunity costs are considered/modeled
- Multi-Stage generator (MSG) challenges

Problem: Insufficient information for Procurement

Incomplete problem statement: Market Participants do not have sufficient information to make gas procurement decisions.

***MSG issues, illiquidity in evening nomination

1. Is this issue with forward market purchases or spot market purchases?
2. What is missing from the current information available to participants?
 - a. How to make more informed decisions
3. How does this impact overall participation, is this impact measureable?
4. What is your challenge(s) with today's current processes?

Problem: Bidding Flexibility

Incomplete problem statement: Current bid caps and commitment cost caps do not give enough flexibility to market participants to fully represent costs.

*** RT market volatility, expansion of opportunity costs, gas transportation rates, commitment cost caps

1. Is this issue with not enough forward market purchases and SC's having to procure additional gas in the spot market?
2. How often is the 125% default commitment cost cap not sufficient?
 - a. What about the 110% cost-based default energy bid cap if mitigated?
3. What is your experience with the automated reference level process?
4. What is your experience with the manual reference level process?
5. What are your challenge(s) with today's current processes?

Problem: Cost Recovery Mechanisms

Incomplete problem statement: Current cost recovery method is overly burdensome for market participants.

- This issue is specifically related to after-market recovery of the costs that were not adequately covered by market revenues.

***mitigated bids

1. Is the issue with having to file at FERC?
2. Is there issues with the current requirements for qualifications (reference level change request process)?
3. How does this impact participation, is this impact measureable?
4. What are your challenge(s) with today's current processes?

Problem: Resource Specific Limitations

Problem Statement: ???

***Use limitations for reliability, heat rate variations, multiple gas zones available to one resource

1. What is the specific limitation that is not accounted for today?
 - a. What is the material impact of this to you?
2. How does this impact your participation/behavior, is this impact measureable?
3. With the ability to map a resource to only a single fuel zone in Masterfile, how does this affect your ability to reflect costs at other fuel zones? How quick would a fuel zone change need to be made?

Problem: Gas System Limitations

Problem Statement: ???

***accounting for differences in storage capabilities, gas burn limits by gas company, operational flow orders, gas system maintenance and min/max burn limits, loss of firm transportation, liquidity

1. Which limitation specifically is not accounted for today?
 - a. Are there reliability challenges?
2. How does this impact your participation/behavior, is this impact measureable?
3. If cost recovery mechanisms accounted for this, would this be an issue?

Next Steps

- Discussion Paper will be posted on the Gas Resource Management stakeholder page: [California ISO - Gas resource management working group \(caiso.com\)](https://www.caiso.com/working-group)
- Survey
- Working Group Meeting #3 – September 18, 2023
 - Review Discussion Paper, stakeholder submitted topics and scope items
 - ISO will answer questions around opportunities and functionality that exists today related to problem statements
 - Stakeholder presentations on problem statements