SCE Comments on Revised Final Proposal on Commitment Costs and Default Energy Bid Enhancements

Submitted by	Company	Date Submitted
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Southern California Edison (SCE) provides the following comments on the California Independent System Operator (CAISO) Revised Final Proposal on Commitment Costs and Default Energy Bid Enhancements (CCDEBE)[1].

SCE does not support the proposed automatic increase of the market-based bid cap to 300%

The CAISO proposes to automatically increase the market-based commitment cost bid cap from 200% to 300% in 1.5 years and only to file for a delay at the Federal Energy Regulatory Commission (FERC) if the CAISO identifies design issues. SCE does not believe this is the prudent course of action. A more efficient approach is to analyze data with a more conservative cap in place. Several reasons support such an approach. Among these are, the appropriateness and effectiveness of the design changes introduced by this CCDEBE initiative in mitigating market power under new system conditions and interactions with other CAISO-planned initiatives[2] may not be made manifest in 1.5 years. For example, a timeframe of 1.5 years may not be sufficient to assess appropriateness under different hydro-year conditions. Further, the results of analysis with only 1.5 years data may be ambiguous and need further study, analysis may require dedication of more resources which may delay conclusions in a timely manner, the analysis may not even be able to start early enough if the CAISO is committed to other projects, etc. Finally, the CAISO's past experience with filings on matters

[1] http://www.caiso.com/Documents/RevisedDraftFinalProposal-CommitmentCosts-DefaultEnergyBidEnhancements.pdf

[2] For instance, with increasing renewables, conventional resources may become more concentrated and global market power could arise as a result. Changes around the contingency reserve requirements and Day-Ahead flexible ramping product can also put stress on the need of conventional resources that have to run and therefore can lead to market power issues.

ranging from intertie bidding to bid cost recovery (BCR) suggests that raising the cap only after performing supporting analysis may help the CAISO, the FERC, and stakeholders to invest their efforts more appropriately.

SCE shares the Department of Market Monitoring (DMM)'s concern on the 125% headroom scalar for commitment cost reference levels

The CAISO proposes that in addition to the commodity price volatility scalars (125% Monday, 110% other days), it will apply a 125% headroom scalar to the commitment cost reference levels. Thus, a resource would have a scalar as high as 156% of its reference levels. SCE agrees with the DMM's observation on the excess of this scalar and does not support this proposal[3].

SCE is concerned about the CAISO's policy approach in this initiative

The CAISO states,

> "The California ISO proposes to initially set the headroom scalar in the commitment cost reference levels at 125%, the same as the current bid cap, as a temporary phase-in measure to allow time to evaluate the effectiveness of the new dynamic commitment cost mitigation. Relevant to the headroom scaler [sic], this will allow time to ensure the dynamic commitment cost market power mitigation is not mitigating when market power in fact does not exist which if immediately mitigating to reference levels that only include a 110% headroom scalar would make resources worse off than the current approach.[4]"

While SCE supports cost-recovery, the CAISO's approach seems singularly focused on expanding generators' ability to collect market revenues at the expense of identifying and mitigating market power. Given the substantial increase in optionality and flexibility of bidding and cost representation in this initiative, the CAISO's focus should be on mitigation of market power and demand-side measures. SCE is concerned that this lack of focus may lead to a design susceptible to inappropriate behavior. Given the not-so-distant BCR gaming incidents that led to emergency filings in 2011, SCE cautions the CAISO toward more conservative approaches toward bid caps and scalars and urges the CAISO to provide empirical justification for the proposed figures.

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[3] During the 2/1/2018 stakeholder call, the DMM had also noted that a cost such as Major Maintenance Adder does not vary frequently, as opposed to a Minimum Load Cost. Such a cost should be applied only to a limited time but instead could inappropriately inflate costs outside of the actual application of the maintenance. The CAISO should address this concern.

[4] Page 34. Ibid.