California ISO

Submitted by	Organization	Date Submitted
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SCE thanks the CAISO for its efforts in this stakeholder initiative and in exploring various options. SCE finds many parts of the proposal to be beneficial. SCE also finds that some parts of the proposal could benefit from further refinements.

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

1. Power Balance Constraint Relaxation Pricing and Constraint Penalty Prices

Please state your organization's position on the Power Balance Constraint Relaxation Pricing and Constraint Penalty Prices as described in section 4.1: (Please indicate Support, Support with caveats, Oppose, or Oppose with caveats)

SCE supports the CAISO's market parameters section of this proposal. As mentioned in SCE's prior comments[1], any PBC relaxation and constraint penalty price should reflect economic reality. The CAISO's proposal to scale relative to $1000/MWh) is a function of the existence of actual cost-verified bids in the supply stack as well as the CAISO's own determination of the larger market conditions through comparison of the MIB value relative to the price level[2]. Considering both requirements necessary to validate parameter scaling is a meticulous approach that should minimize the likelihood of sampling bias adversely masking economic reality. SCE also supports the proposal to set energy prices in the pricing run at highest-priced cleared economic bid when the power balance constraint penalty price is $2,000/MWh. However, the CAISO should clarify the need for the proposal to set the power balance constraint relaxation penalty price at $2,000/MWh in the pricing run when no bids above $1,000/MWh are cleared in the scheduling run[3], simply on the basis of the calculated MIB. When no bids above $1,000/MWh are actually cleared in the scheduling run or the pricing run, setting the power balance constraint parameter at $2,000/MWh and scaling all other market constraint parameters relative to $2,000/MWh could introduce the consequence of inflated uplift costs, for example, when transmission constraints are relaxed at

[1] http://www.caiso.com/InitiativeDocuments/SCEComments-FERCOrder831-ImportBidding-MarketParameters-RevisedStrawProposal.pdf
[2] Page 13. http://www.caiso.com/InitiativeDocuments/DraftFinalProposal-FERCOrder831-ImportBidding-MarketParameters.pdf
[3] Page 13-14 of the CAISO Proposal.

$2,000/MWh instead of $1,000/MWh in the pricing run. To address the issue, the CAISO should consider setting the power balance constraint parameter at $2,000/MWh and scaling all other market constraint parameters relative to $2,000/MWh in the pricing run only if there is a bid above $1,000/MWh is actually cleared in the scheduling run. Further, this would be symmetric to the treatment for cost-verified bids under $1000/MWh as well as accurately reflective of economic conditions.

2. Screening import and virtual bids greater than $1,000/MWh

Please state your organization's position on screening import and virtual bids greater than $1,000/MWh as described in section 4.2: (Please indicate Support, Support with caveats, Oppose, or Oppose with caveats)

SCE supports the element of the proposal that it will only accept import bids or virtual bids greater than $1,000/MWh when the CAISO-calculated maximum import bid price is greater than $1,000/MWh or when the CAISO has cost-verified a resource-specific resource bid greater than $1,000/MWh[4].

3. Application of screen to Resource Adequacy Imports

Please state your organization's position on the application of screening import and virtual bids greater than $1,000/MWh to Resource Adequacy Imports as described in section 4.2.1: (Please indicate Support, Support with caveats, Oppose, or Oppose with caveats)

SCE appreciates the CAISO's perspective toward bid reduction of only RA resources, as a method to potentially minimize the liquidity impact in RT. SCE supports the CAISO's goal of balancing cost verification and liquidity and applauds the CAISO's efforts on detailed attention on these two features.

However, SCE notes that market design changes do not function in isolation. For example, an enhancement 'X' may be locally beneficial within an initiative 'A' but may not be beneficial when considered within the global framework of all design changes. Specifically, the CAISO has concurrent proposed design changes in the DAME and RA Enhancements initiatives, that taken with changes in this initiative, may not result in the optimal solution for the grid. Given that, and the prevalent risks of siloing initiatives, SCE recommends that key concerns be within scope of every stakeholder initiative as long as these key concerns are impacted. For example, RT participation of RA resources should be within scope and identified as a goal in every initiative, as long as there is impact to such a feature. To do otherwise will be deleterious to the market as a whole, making moot any benefits from initiatives.

[4] At 18, the CAISO Proposal.

The CAISO's proposal in Import Bidding and Market Parameters (IBMP) relies on the assumptions that RA resources will remain available in RT and that "the market should be able to meet CAISO balancing authority area demand using only bids from resource adequacy resources"[5]. SCE notes that the CAISO proposes to change the RT MOO requirement in the DAME and RA Enhancements and to not require RA resources to participate in RT – any MOO will only be on resources awarded for the new DA products[6]. Due to the CAISO's initiated redefinition of the RA MOO paradigm, it is prudent to ensure that all resources work toward RT liquidity. Thus, SCE proposes that the CAISO apply the same treatment to all resources, rather than differentiating along RA lines. In particular, the CAISO should consider applying the CAISO-calculated maximum import bid price to both non-RA import bids as well as RA import bids. When a non-RA import bid above $1,000/MWh, and up to $2,000/MWh, without being cost verified, set the market price, there will be a widespread impact to the entire market since all resources and loads will be settled based on the marginal market clearing price. SCE continues to find it reasonable to subject all import resources (RA and non-RA) to the CAISO-calculated maximum import bid while allowing after-the-fact cost recovery for import resources whose bids are above the calculated maximum import bid price. Subjecting all import resources to the CAISO-calcualted maximum import bid is necessary as the CAISO does not propose to mitigate imports under its System Market Power Mitigation Initiative.

4. Maximum Import Bid Price Calculation

Please state your organization's position on the Maximum Import Bid Price Calculation topic as described in section 4.2.2: (Please indicate Support, Support with caveats, Oppose, or Oppose with caveats)

The CAISO's formulation of the MIB, by removing the gas price floor and long-term opportunity cost components should provide better modeling, thereby lower the chance of susceptibility to statistical artifacts and outliers.

Additional comments

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

[5] At 19, the CAISO Proposal.
[6] E.g., at 35 of the CAISO RA Enhancements Third Revised Straw Proposal, dated December 20, 2019, available at http://www.caiso.com/InitiativeDocuments/ThirdRevisedStrawProposal-ResourceAdequacyEnhancements.pdf