California ISO

Stakeholder Comments Template

FERC Order 831 – Import Bidding and Market Parameters

This template has been created for submission of stakeholder comments on the FERC Order 831 – Import Bidding and Market Parameters revised straw proposal that was published on November 26, 2019*.* The proposal, meeting presentation, and other information related to this initiative may be found on the initiative webpage at: http://www.caiso.com/StakeholderProcesses/FERC-Order-831-Import-bidding-and-market-parameters.

Upon completion of this template, please submit it to initiativecomments@caiso.com. Submissions are requested by close of business on **December 19, 2019**.

Submitted by	Organization	Date Submitted
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Please provide your organization's comments on the following issues and questions.

The Sacramento Municipal Utility District (SMUD) provides the following comments on the CAISO's FERC Order 831 – Import Bidding and Market Parameters Revised Straw Proposal, dated November 26, 2019 (Proposal). SMUD, as an Energy Imbalance Market (EIM) participant and active participant in the CAISO's day-ahead and real-time markets, has a direct interest in the changes proposed.

1. **Import bids greater than $1,000/MWh**

   Please provide your organization's feedback on import bids greater than $1,000/MWh as described in section 4.1. Please explain your rationale and include examples if applicable.

   SMUD generally supports the proposal to verify costs for non-resource specific import bids greater than $1,000/MWh as long as it does not adversely impact liquidity at the interties. As the west becomes more resource constrained as highlighted in recent Resource Adequacy related presentations, the CAISO and WECC will increasingly need to have access to energy imports. Thus, SMUD supports adoption of a maximum bid construct that avoids imposing additional barriers to import into the CAISO. SMUD nevertheless supports the CAISO's consideration of incorporating adequate safeguards to avoid external sellers taking advantage of California market opportunities to set the marginal prices for imports. Such safeguards should include prompt review and correction of any unanticipated consequences of the maximum bid construct decided upon.

2. Maximum import bid price calculation

Please provide your organization's position on the ISO's proposal to calculate a maximum import bid price to "cost-verify" import bids and its components:

SMUD does not see an issue with the CAISO's proposal to set a maximum bid import price based on a similar approach to its hydro resource default energy bid methodology. Because the west relies on hydro power for a significant portion of its power needs, it is important this maximum price incorporates accurate opportunity costs, and the CAISO's proposal to use a 12-month storage horizon seems appropriate as it reflects long-term alternatives.

In addition, the electric hub price component would take into account natural gas prices and proposes to use a representative heat rate based on the gas price region defined by the CAISO. Will the gas price regions align with the "geographic areas" that CAISO proposes for separate max bid import prices? Or do the gas price regions and geographic areas for separate max bid import prices differ? The CAISO proposes to set different hourly maximum bid import prices for groups at interties in each geographic area, and specifically references a South Western area and a North Western area. It is not clear based on the Proposal's statement that "the natural gas price used would be the highest gas price for a gas price region defined by the CAISO in the western interconnection." For example, would an intertie bid in Northern California be evaluated based on PG&E CityGate while a bid from the Northwest is based on the relevant gas index such as Malin/Stanfield/Sumas/etc.? Or if Sumas has the highest gas price of all indices will this set the maximum import price for the entire North Western area? SMUD does not support the CAISO using a gas index such as Sumas for an import bid in Northern California since the Sumas price would never be considered in SMUD's decision to import to the CAISO. SMUD asks the CAISO to clarify its proposal with respect to the gas component.

3. Implementing the maximum import bid price

Please provide your organization's feedback on the following options proposed for implementing the maximum import bid price as described in section 4.1.2. Please explain your rationale and include examples if applicable.

Option 1 - Implements the maximum import bid price as a cap import bids to the maximum of $1,000/MWh or the CAISO-calculated maximum import bid price:

We do not support Option 1 because Option 1 would unreasonably restrict import bids and negatively impact market liquidity at the interties.

Option 2 - Implements the maximum import bid price by reducing import bids above both $1,000/MWh and the CAISO-calculated maximum import bid price to the greater of maximum import bid price or $1,000/MWh:

We support Option 2 over Option 1 because Option 2 would accept a bid over the maximum import bid price instead of rejecting it, which should encourage continued import bids. However, it is not clear how the CAISO will cost-verify bids in the after-the-fact cost recovery. To the extent possible, the CAISO should develop uniform cost verification rules/procedures that would apply to all imports and efficiently permit sellers to demonstrate actual costs.

SMUD assumes that any after-the-fact cost recovery is subject to the CAISO's bid cost recovery rules, which is assessed to load and exports. If this is not the case, SMUD requests the CAISO clarify the cost recovery in its next proposal.

4. Market constraint relaxation parameter prices based on verified bids

Please provide your organization's feedback on the following options proposed to address market constraint relaxation parameter prices based on verified bids as described in section 4.2. Please explain your rationale and include examples if applicable.

SMUD has no position at this time on Option 1 or Option 2 for the market constraint relaxation parameter. However, we note a potential inconsistency between the maximum import bid price cost verification proposal and the market constraint relaxation proposal. Specifically, if the CAISO will do an after-the-fact cost verification, this import bid price would not be able to be used for the power balance constraint <u>before</u> the market closes. SMUD supports Option 2 above for implementing the maximum import bid price, because it would likely not limit market activity at the interties. Accordingly, any market constraint relaxation parameter should similarly ensure that imports are not unreasonably restricted.

Option 1 - Scale penalty prices relative to the power balance constraint relaxation penalty price set at the $2,000/MWh hard energy bid cap:

Option 2 - Scale penalty prices relative to the power balance constraint relaxation penalty price set at the $2,000/MWh hard energy bid cap only when there are bids in the market that have been cost-verified at a price greater than $1,000/MWh:

Option 2A – Set energy prices in pricing run based on applying the "price discovery mechanism" when there the power balance constraint needs to be relaxed:

Option 2B – Set energy prices in pricing run based on $2,000/MWh power balance constraint penalty price:

Additional comments

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