



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 draft final proposal that was published on July 22, 2020. The revised draft final proposal, stakeholder call 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 **August 12, 2020**.

Submitted by	Organization	Date Submitted
<i>Bonnie Blair 202-585-6905 bblair@thompsoncoburn.com</i>	<i>Cities of Anaheim, Azusa, Banning, Colton, Pasadena, and Riverside, California ("Six Cities")</i>	<i>August 12, 2020</i>

Please provide your organization's overall position on the FERC Order 831 – Import Bidding and Market Parameters revised draft final proposal:

- Support
- Support w/ caveats
- Oppose
- Oppose w/ caveats
- No position

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)

Six Cities' Position: The Six Cities support with caveats this aspect of the CAISO's Revised Draft Final Proposal.

Please provide additional details to explain your organization’s position and include supporting examples if applicable:

Additional Details and Recommendation for Scarcity Price Review: The Six Cities support the CAISO’s proposal to apply a \$2,000/MWh power balance constraint relaxation penalty price and to scale other market constraint penalty prices relative to the \$2,000/MWh level only when (1) there is a submitted and cost-verified bid from a resource-specific resource higher than \$1,000/MWh, or (2) a CAISO-calculated maximum import bid price is greater than \$1,000/MWh.

The Six Cities also support the CAISO’s proposal to set energy prices based on the magnitude of the shortfall in supply to meet demand when the power balance constraint must be relaxed and the \$2,000/MWh power balance constraint relaxation penalty price has been triggered by one of the conditions identified above. Specifically, the Six Cities support the CAISO’s proposal to set energy prices based on the highest-priced cleared economic bid when the shortfall in the CAISO Balancing Authority Area (“BAA”) is no more than 150 MW and to set prices based on the \$2,000/MWh power balance penalty price when the shortfall exceeds 150 MW. This approach appears to strike a reasonable balance, for purposes of this initiative, between avoiding the occurrence of unreasonable price spikes and unjustified windfall payments to suppliers due to small shortfalls while providing a scarcity price signal when a shortfall is significant.

As noted in the Six Cities’ May 20, 2020 comments on the Draft Final Proposal, the issues raised in this initiative with respect to application of penalty prices when verified costs rise above \$1,000/MWh have highlighted the potential value of stepped or graduated pricing parameters to reflect scarcity conditions in a measured way. The Six Cities reiterate their request that the CAISO commence an initiative to undertake a comprehensive review of scarcity pricing issues with the objective of developing graduated or stepped scarcity and/or penalty prices. Waiting until Bundle 3 of the Extended Day-Ahead Market (“EDAM”) initiative to devote further attention to the scarcity pricing framework, as the CAISO proposes at page 9 of the Revised Draft Final Proposal, will result in too much delay and, potentially, indefinite failure to address the issue if EDAM does not move forward.

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)

Six Cities’ Position: The Six Cities Support this aspect of the CAISO’s proposal.

Please provide additional details to explain your organization’s position and include supporting examples if applicable:

Additional Details: The Six Cities support the CAISO’s proposal to accept virtual bids or import bids greater than \$1,000/MWh (either for non-resource adequacy imports or for resource adequacy imports, as the Six Cities understand the proposal)

only when the CAISO-calculated maximum import bid price is greater than \$1,000/MWh or there is a cost-verified resource-specific bid greater than \$1,000/MWh.

In addition, the Six Cities support the CAISO's proposal to apply different treatment to resource adequacy non-resource specific import bids greater than \$1,000/MWh versus non-resource adequacy non-resource specific import bids greater than \$1,000/MWh. Specifically, the Six Cities agree with the CAISO that in light of the obligations agreed to by resource adequacy imports, it is reasonable to limit bids for resource adequacy non-resource specific imports to the greater of the CAISO-calculated maximum import bid price or \$1,000/MWh, while allowing bids for non-resource adequacy non-resource specific imports up to \$2,000/MWh (provided that one of the triggering conditions - - *i.e.*, the CAISO-calculated maximum import bid price is greater than \$1,000/MWh or there is a cost-verified resource-specific bid greater than \$1,000/MWh - - has been satisfied).

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)

Six Cities' Position: See the response to Item 2 above.

Please provide additional details to explain your organization's position and include supporting examples if applicable:

Six Cities' Response: See the response to Item 2 above.

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)

Six Cities' Position: The Six Cities generally support the CAISO's proposed approach for calculating the maximum import bid prices based on the higher of the published price indices for Mid-Columbia or Palo Verde shaped to hourly values derived from relationships between hourly SMECs and daily average SMECs for recent comparable days.

Please provide additional details to explain your organization's position and include supporting examples if applicable:

Additional comments

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

Six Cities' Additional Comments: The Six Cities agree with and support the CAISO's conclusion that this initiative falls within the advisory authority of the Energy Imbalance Market ("EIM") Governing Body. The issues addressed in this initiative are not limited to EIM BAAs or even to the CAISO's Real-Time Markets. Moreover, it would not be reasonable to characterize EIM Entities as having a primary interest in the topics addressed by this initiative. The levels of penalty prices applied when market constraints are relaxed have as much or more impact on market participants in the CAISO BAA as on EIM Entity BAAs. The appropriate classification of this initiative falls under the EIM Governing Body's advisory role.