

**Western Power Trading Forum on the CAISO's FERC Order 831 Import Bidding and Market  
Parameters Revised Straw Proposal**  
Carrie Bentley - Gridwell Consulting for WPTF - [Cbentley@gridwell.com](mailto:Cbentley@gridwell.com)

## The Western Power Trading Forum

The Western Power Trading Forum (WPTF) is a California nonprofit, public benefit corporation. It is a broad-based membership organization dedicated to enhancing competition in Western electric markets while maintaining the current high level of system reliability. WPTF supports uniform rules and transparency to facilitate transactions among market participants. The membership of WPTF and the WPTF CAISO Committee responsible for providing these comments include CAISO and EIM entities, load serving entities, energy service providers, scheduling coordinators, generators, power marketers, financial institutions, and public utilities that are active participants in the California market, other regions in the West, and across the country.

## Comments

WPTF appreciates this opportunity to provide comments on the CAISO's FERC Order 831 – Import Bidding and Market Parameters Revised Straw Proposal that was discussed at the December 5, 2019 stakeholder meeting. WPTF appreciates the CAISO being proactive and wanting to start these discussions prior to FERC issuing an Order on the CAISO's Compliance Filing. Given that the CAISO's Compliance Filing is still pending at FERC, WPTF strongly believes the best course of action at this point is to await an Order from FERC. It could be the case that the Order may provide insights or guidance that should be taken into consideration; thus trying to wade through these issues prior to an issuance from FERC may not be the most efficient way to address this topic.

If after consideration of FERC's response, the CAISO continues exploring the options as laid out in this paper, it will be imperative that consideration is given to the risk of deterring much needed import supply. The CAISO has identified that, as soon as next year, it will face capacity shortfalls. Consider that, if the CAISO incorrectly estimates costs, it risks rejecting import bids that truly reflect costs. This would contribute to scarcity conditions that otherwise would not have materialized. In fact, even the possibility of the CAISO getting cost estimates wrong is enough to deter imports upon which the CAISO relies heavily. Importers will be less likely to bid knowing they may be subject to onerous cost verification processes.

WPTF is supportive of continuing to explore the idea of scaling penalty parameters to align with the energy bid cap of \$2,000/MWh independent of 1) the existence of offers greater than \$1,000/MWh and 2) the outcome of import bid cost verification efforts. There are a few benefits to scaling the penalty parameters that warrant additional discussion. First, a higher penalty price could provide market incentives to address speculative supply concerns that have

been raised in this stakeholder process as well as others. If an import is offered in at a “high” price but still below the bid cap, it runs the risk of being exposed to \$2,000/MWh real-time prices even if costs have not exceeded \$1,000/MWh. Additionally, it provides a stronger market signal during shortage conditions if prices can rise to \$2,000/MWh even when all other supply has been offered below that price point.

On a related note, the entire discussion at the December 5 stakeholder meeting highlighted the need to improve pricing under near-scarce/shortage conditions. Indeed, properly valuing supply when it is scarce will help overcome the anticipated capacity shortfall through market forces. Furthermore, scarcity pricing can provide incentives to minimize speculative import supply through a mechanism such as a stepped power-balance constraint enabling prices to rise when supply is tight; additionally allowing real-time prices to rise above the \$2,000 bid cap during scarcity conditions will also deter the behavior which appears to be of concern in this initiative process. WPTF strongly encourages the CAISO to also focus its efforts on scarcity pricing and other efficient economic mechanisms for properly valuing imported power. Rather than driving away supply over the ties with over-mitigation, it will compensate imports when they are essential to reliability.

WPTF thanks the CAISO for consideration of these comments.