

Submit comment on Mar 2, 2022 workshop presentation and discussion

Initiative: Day-ahead market enhancements

**1. Please provide your organization's comments on the imbalance reserve demand curve topic:**

The Bonneville Power Administration (Bonneville)[[1]](#footnote-1) recognizes CAISO’s concern that the penalty price for imbalance reserve up (IRU) could result in inaccurate prices and overscheduling of IRU. Having stepped penalty prices and procurement appears to address the concern, but we request additional information regarding how both of these values will be calculated in practice.

CAISO’s example noted illustrative levels for both penalty prices and procurement (%), but it is unclear when these values will be determined, and how relevant factors will be taken into account.

**2. Please provide your organization's comments on the market power mitigation topic:**

**Bonneville strongly opposes CAISO’s proposal to mitigate reliability capacity bids**.

CAISO appears to be proposing market power mitigation of reliability capacity bids. Bonneville noted significant opposition to capacity mitigation in previous stakeholder comments and reiterates those concerns.

First, CAISO has not demonstrated a need for mitigation in the RUC process via either demonstrating exercise of market power or even the potential presence of market power. We do not believe that the mere presence of capacity bids necessitates market power mitigation.

Second, CAISO’s proposal to use the 90th percentile historical non-RA RUC bid as a “default availability bid” is arbitrary, particularly because it would be applied to every resource in every interval. This appears to be a transparent attempt to reduce bid prices for up to 10% of resources which, again, lacks justification.

Third, the issue of local market power mitigation for RUC availability bids was already addressed by the FERC Commission in its September 21, 2006 Order[[2]](#footnote-2):

* …the CAISO states that the concept of local market power mitigation of RUC availability bids was rejected by the Commission as “complicated and intrusive” in the July 2005 Order. For this reason, the CAISO explains, the MRTU Tariff does not include market power mitigation of RUC availability bids.”
* …we [the Commission] find that a $250/MWh bid cap on RUC availability bids provide sufficient mitigation of any potential for market power. Furthermore, we note that we would not ordinarily expect the CAISO to exhaust the resource adequacy capacity available for commitment in RUC, except in periods of extreme shortage. If such an extreme shortage were to occur, a RUC availability price near the bid cap could be an appropriate reflection of supply and demand fundamentals.”

Regarding mitigation of imbalance reserves, Bonneville agrees with CAISO’s assessment that imbalance reserve availability bids should not be mitigated in either the base scenario or in any of the deployment scenarios.

**3. Please provide your organization's comments on the accounting for energy offer price in upward capacity procurement topic:**

**Bonneville does not support CAISO’s proposal to limit energy bids from high-energy-cost resources**.

CAISO’s suite of alternatives to prevent high-energy-cost resources from being awarded capacity payments while rarely being dispatched in real-time appears discriminatory toward certain types of resources.

We understand that capacity and energy bids are not co-optimized, but administratively limiting energy bids is an inappropriate method for discouraging supply participation. There are certainly scenarios where high-priced energy bids are uncompetitive, and we would expect those bids to be mitigated in the real-time market in such scenarios. We disagree, however, with all alternatives that artificially lower or disqualify energy bids that are otherwise considered valid and competitive.

**4. Please provide your organization's comments on the resource adequacy real-time must offer obligation topic:**

**Bonneville supports CAISO’s proposal to make real-time must-offer obligations optional by Local Regulatory Authority**.

Bonneville reiterates its support for replacing the RA real-time must-offer obligation with imbalance reserves. CAISO has sufficiently demonstrated the need for this change in previous workshops, and Bonneville maintains that this is one of the most critical components of the DAME.

Removal of the RA real-time must-offer obligation accomplishes multiple goals, aligning both the imbalance reserve product and the RA product more closely with their intended uses and encouraging appropriate price formation for both products.

Removing the real-time must-offer obligation increases the amount of RA supply (type of resources) and likely decreases the prices that resources bid, simply because more flexibility retained by supply decreases their opportunity cost. We encourage entities opposed to this change to recognize the positive effects on RA from removal of the real-time must-offer obligation.

Bonneville believes current RA pricing inappropriately incorporates imbalance between day-ahead and real-time. The imbalance reserve product is targeted to more accurately address relevant uncertainty.

**5. Please let us know if you have additional comments (optional):**

Bonneville has no further comments.

1. Bonneville is a federal power marketing administration within the U.S. Department of Energy that markets electric power from 31 federal hydroelectric projects and some non-federal projects in the Pacific Northwest with a nameplate capacity of 22,500 MW. Bonneville currently supplies around 30 percent of the power consumed in the Northwest. Bonneville also operates 15,000 miles of high voltage transmission that interconnects most of the other transmission systems in the Northwest with Canada and California. Bonneville is obligated by statute to serve Northwest municipalities, public utility districts, cooperatives and then other regional entities prior to selling power out of the region. [↑](#footnote-ref-1)
2. Paragraph 137 of FERC Order Conditionally Accepting the CAISO’s Electric Tariff Filing to Reflect Market Redesign and Technology Upgrade Issued September 21, 2006. [↑](#footnote-ref-2)