

## 2021 THREE-YEAR POLICY INITIATIVES ROADMAP AND ANNUAL PLAN

Comments Submitted by	Organization	Date Submitted
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### I. GENERAL COMMENTS

The Bonneville Power Administration (Bonneville)<sup>1</sup> appreciates the opportunity to comment on the CAISO’s 2021 Three-Year Policy Initiatives Roadmap and Annual Plan dated September 30, 2020. Bonneville thanks CAISO for the progress being made to advance the four areas identified in our March 20<sup>th</sup> comments on the 2021 Policy Catalog: market closing timelines, obligation transfers, settlement transparency and settlement timelines.<sup>2</sup>

In light of the Summer 2020 tight supply conditions, Bonneville understands CAISO’s desire to focus on meeting operational needs from the changing resource fleet, enhancing the day-ahead market and extending it to EIM Entities, and aligning resource adequacy requirements and rules with changing operational needs and tightening western supply conditions. CAISO has provided a Preliminary Root Cause Analysis<sup>3</sup> report focused on the rotating outages of August 2020 in which CAISO has indicated that it will continue to review root causes of the August events as more data becomes available and provide a final analysis by the end of the year. Bonneville requests that as CAISO and other stakeholders continue to investigate the events of Summer 2020 and potentially discover new findings, CAISO remain flexible with its roadmap and annual plan. In order to ensure reliable operations for Summer 2021, Bonneville encourages CAISO and stakeholders to be open to the possibility of adding new scope to existing initiatives, adding new initiative(s) and/or shifting the timing of certain policy initiatives (or business practice manual changes). With that said and based on information provided to date, Bonneville offers limited comment on CAISO’s proposed new scarcity pricing initiative planned in response to Summer 2020 tight supply conditions.

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<sup>1</sup> 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 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.

<sup>2</sup> [Comments on 2021 Draft Policy Initiatives Catalog, Bonneville Power Administration, March 20, 2020.](#)

<sup>3</sup> [Preliminary Root Cause Analysis: Mid-August 2020 Heat Storm](#)

## II. SCARCITY PRICING ENHANCEMENT INITIATIVE

Bonneville is pleased to see the Scarcity Pricing Enhancement initiative added to the 2021 Policy Initiatives Catalog and Roadmap. Bonneville believes that the summer 2020 conditions highlight the importance of robust scarcity and shortage pricing, along with the need for other potential price formation reform. Scarcity and shortage pricing allows the market to provide appropriate price signals to market participants and thus incentivize additional supply during shortage and tight supply conditions.

In regards to the scope of this initiative as provided on pages 16 and 17 of the CASIO's 2021 Final Policy Initiatives Catalog<sup>4</sup> dated September 14, 2020, Bonneville requests clarity on the following items:

- Are enhancements to scarcity pricing only being looked at for the CAISO's 5-minute market or are enhancements also being considered for the fifteen-minute market?
- Will enhancements to scarcity pricing in the day-ahead market be considered?
- Are enhancements to scarcity pricing limited to the CAISO BAA footprint or will enhancements to scarcity pricing in the Western Energy Imbalance Market (EIM) be considered?
- Will this initiative look at scarcity pricing provisions for the Extended Day-ahead Market (EDAM)? If so, what is the interplay between this initiative and the scope of scarcity pricing provisions being considered in the Price Formation initiative under the EDAM Bundle 3 topics?

Bonneville requests that CAISO include in the Scarcity Pricing Enhancements Issue Paper a detailed description of how the current scarcity pricing provisions worked during the August 2020 heat storm event. Bonneville also notes its strong support for the examination of how scarcity pricing relates to the design of System Market Power Mitigation and the CAISO's offer caps to be included as part of the scope of this initiative.

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<sup>4</sup> <http://www.caiso.com/Documents/2021FinalPolicyInitiativesCatalog.pdf>