



**COMMENTS OF NV ENERGY
COMMITMENT COSTS AND DEFAULT ENERGY BID ENHANCEMENTS
DATED MARCH 30 & APRIL 20, 2017
CAISO STAKEHOLDER PROCESS**

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Lindsey Schlekeway, LSchlekeway@nvernergy.com

NV Energy is supportive of efforts by the CAISO to enhance the market design to allow market participants increased flexibility in regards to the formation and submission of their supply bids and to reform the Default Energy Bid (DEB) methodology to ensure appropriate recovery of actual supply costs. Moreover, NV Energy is very appreciative of the time and effort CAISO has spent defining the bidding flexibility issue while also providing material for stakeholders to review.

I. NV Energy's Position

a. After the Fact Cost Recovery

NV Energy recognizes that for most intervals, the current DEB approach covers differences between day-ahead and intra-day cost prices and the process enhancements proposed by DMM (and strongly supported by NV Energy) will further address this potential. Nevertheless, there will still be times when the intra-day fuel costs exceed the index price.

As NV Energy explained in its December 9, 2016 comments, the CAISO has committed to FERC to provide a pathway to ensure EIM Entities, the only CAISO market participants that are required to bid the DEB at all times, can recover their costs to the extent that the DEB methodology is not compensatory. As a reminder, in Docket No. ER17-110, the CAISO made the following commitment with respect to *this* stakeholder initiative:

NV Energy requests that the CAISO commit to undertake a stakeholder process to address on a permanent basis the ability of EIM entities without market-based rate authority to recover their fuel procurement costs above their default energy bids. *The CAISO plans to address this very issue in the stakeholder process concerning commitment cost and default energy bid enhancements.*¹

In its Order in that same proceeding, FERC stated:

We agree with commenters that these interim measures should not become substitutes for broader or longer-term market reforms that may be necessary. We

¹ Answer of the CAISO to Comments dated November 8, 2016 at 14 (emphasis added).



find that the tariff revisions proposed here are appropriate for mitigating the risks resulting from the limited operability of Aliso Canyon, *but expect CAISO to honor its commitment to consider other types of longer-term market enhancements, such as the issues raised by EDF and NV Energy, in its stakeholder processes.*²

Accordingly, there should be no question that this initiative must address how the EIM Entities may fully recover their fuel costs above the DEB reference level. Ideally, there should be a means to communicate the higher costs to DMM prior to the running of the real time market to ensure the most efficient dispatch and to minimize uplifts. NV Energy supports the proposal discussed by Arizona Public Service at the April 20th meeting that in the event any gas purchases exceed the day ahead index by greater than 10%, the DEB would be adjusted to reflect the new dispatch price and, upon request from the DMM, the EIM Entity would provide information that supports the cost of the gas procured.

At a minimum, the bids in these limited intervals should be subject to after-the fact verification by DMM. By no means is any formal Section 205 filing with FERC necessary. The administrative costs and uncertainty will simply discourage bidding of these voluntary resources. Moreover, the CAISO and DMM's failure to provide for after-the-fact recovery, without the need for a Section 205 filing would be unduly discriminatory. In Order No. 831, FERC found: (1) that market rules must permit resources to recoup short-run marginal costs and (2) the remedy was to require the Market Monitoring Unit to verify the cost basis of the offer not to submit the matter to FERC. There is no reason for DMM to verify cost-based fuel costs in compliance with Order No. 831 without a Section 205 filing but to require EIM Entities to seek relief from FERC for their fuel costs. Stated simply if invoices are acceptable in one case they should be acceptable in all cases. Accordingly, NV Energy believes CAISO should extend the scope of this initiative to provide a future process for resources to file for after the fact cost recovery with CAISO and the DMM rather than the current process with FERC. This initiative may not resolve all resources' cost recovery issues. For instance, the NYISO's urgent reference level update approach requires 16 hours to complete the approval process. During most instances, market participants have a short window of time to procure intraday gas to keep a resource online. Therefore, NV Energy believes that it would be prudent for CAISO to establish an after the fact cost recovery process for market participants to provide documentation directly to CAISO and, given the limited circumstances in which it is likely to apply, this after the fact process should be implemented on a separate, accelerated path well in advance of the other aspects of this initiative that may not be addressed until late 2018.

b. Minimum Load Cost Bidding

² See, Cal. Ind. Sys. Operator Corp, 157 FERC ¶ 61,151 at P 29 (2016) (emphasis added).



NV Energy is supportive of CAISO allowing hourly Minimum Load Cost (MLC) bidding with a locked bid during the minimum run time of the resource. This market enhancement will provide more bidding flexibility to market participants while balancing the risk against market manipulation. NV Energy would be in support of a market-based commitment offer as long as CAISO was capable of implementing a mitigation method to protect against structural or behavior issues. A market-based commitment offer should increase market participation by allowing resources to quantify the value of the resource to the market. Market participants who have the most up to date information on the resource could value the resources limitations, use of storage, and/or risks for managing the resource commitments under a longer time horizon than the market optimization is capable of running.

c. Adjusted Fuel Price Method

NV Energy is supportive of either the use mitigated offer or the adjusted fuel price paths that are designated as medium risk in the CAISO's proposed high-level design paths. Either path should protect resources from incurring unrecoverable costs while informing the electric market of the price to procure additional gas when needed to continue participating in the real-time market. Resources should be allowed to provide their true cost to a market.

Moreover, it might be best to explore the adjusted fuel price method in more depth since this design utilizes the reference levels that are currently in place. CAISO stated that NYISO updates the percent bid adder for the mitigated energy bid depending on certain situations on the gas pipeline. NV Energy is interested in learning more about the situations in which this bid adder adjusts.

II. Department of Market Monitoring Proposal

The Department of Market Monitoring (DMM) proposes a phased approach for this market enhancement. The first phase for the real-time market utilizes an updated gas price index with same day information to be implemented during the Fall 2017 Release. An update with same day information should better align the gas index with actual intra-day market prices. NV Energy applauds the DMMs efforts to obtain a more accurate gas price index and is supportive of a phased approach. The second phase consists of the remainder of the enhancements to this initiative to be implemented in 2018.

III. Review by the EIM Governing Body

NV Energy requests that the CAISO consider allowing the EIM Governing Body to have a larger role for this initiative. As noted above, this initiative can have a unique effect on EIM participants, particularly those such as NV Energy that are required to use their DEB at all times. The Issue Paper also includes potential mitigation measures which should be viewed from an



EIM perspective if such enhancements are considered. Therefore, NV Energy respectfully requests that the EIM Governing Body have a voting role for this stakeholder initiative, which should be listed as EIM Governing Body –Hybrid.