



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>Jared Rist 202-297-7914</i>	<i>PG&E (Pacific Gas & Electric)</i>	<i>8/13/20</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)

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

Does not oppose – PG&E does not oppose the CAISO’s current proposed framework regarding the power balance constraint relaxation pricing including using a 150 MW threshold at the moment. PG&E would recommend that the CAISO revisit this threshold amount a year or two after these changes are implemented to revise if necessary.

PG&E asks the CAISO for clarification on how the EIM will clear and produce possibly multiple power balance constraint violations for individual BAAs. PG&E's understanding is that the EIM is a multi-BAAs optimization that clears at one price if not for congestion and losses. A power balance constraint violation looks at overall supply and demand in an optimization. For an individual EIM BAA does a power balance constraint violation include the transmission it has available to import energy included with the bids internal?

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)

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

Support - PG&E supports the CAISO proposal to screen import and virtual bids greater than \$1,000/MWh, requiring some cost justification for them to be eligible to set the price higher than \$1,000/MWh in the energy market. In FERC Order 831 paragraph 197 it states that the FERC "would consider proposals by RTOs/ISOs to verify or otherwise review the costs of imports or exports and/or develop additional mitigation provisions for import and export transactions above \$1,000/MWh." Given the CAISO's reliance on imports and system market power concerns the CAISO has seen in previous years, it is appropriate for the CAISO to subject import bids and virtual bids to cost verification or a screening process.

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)

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

PG&E supports applying CAISO's proposed screening process towards all non-resource specific import bids and reducing the bids of the Resource Adequacy (RA) import resources to the higher of \$1,000/MWh or the CAISO calculated maximum import bid price when they fail the screen. PG&E thinks this screen and bid reduction is a step in the right direction to prevent import RA bids from unnecessarily bidding up to the new \$2,000/MWh bid cap.

PG&E's understanding of the CPUC's Order Instituting Rulemaking D. 20-06-028 on import RA rules from June 2020 is that non-resource specific RA will be required to flow and either self-schedule or bid between \$0/MWh and -\$150/MWh. PG&E supports these changes to the import

RA framework. These changes ensure that ratepayers who are paying for this import RA capacity are actually getting something for that payment rather than just a requirement to bid at any price. In the case that those rules change, PG&E would support a screen of those non-resource specific RA bids and reducing bids in the case where they exceeded a screen.

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)

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

Oppose with caveats – PG&E agrees that the CAISO should calculate a maximum import bid price for imports to be able to set the energy price in the market, however PG&E does not agree that there should be just one CAISO calculated maximum import bid price or that the bilateral hub prices should be shaped based on the previous day's DA SMEC.

The CAISO's previous paper proposed to calculate two maximum import bid prices, one for the north using the Mid-C hub price and one for the south using the Palo Verde hub price. PG&E thinks calculating these two maximum import bid prices is more appropriate than using the greater of the two prices. When prices are high enough to justify bids above \$1,000/MWh that means that loads are likely high and supply conditions are tight. In these instances with high load transmission is scarce. The assumption in this proposal that an importer could simply choose between importing to the north or south and could access abundant transmission to do so is not an assumption that holds when loads are high and prices would be justified over \$1,000/MWh. The CAISO had noted that having only one maximum import bid price would help with screening virtual bids, but the CAISO could easily just use the higher of the two maximum import bid prices to screen virtuals.

Secondly, the CAISO should not weight the bilateral hub prices based on a previous days day-ahead market system marginal energy component. PG&E continues to recommend our original proposal to weight the bilateral hub prices based on the day-ahead net load forecast. The day-ahead net load forecast is much more relevant to prices in a day than a previous days price. The difference between a net load forecast and resulting price shape can be due to the price cost markup in peak hours which the DMM showed last year. The CAISO should use a metric that has actual relevance to the day and one that is anticipating competitive outcomes.

If the CAISO continues to weight the bilateral hubs based on energy prices rather than the day-ahead load forecast, the CAISO should use an average of multiple days rather than a single day. The problem with using a single day is that one day might not be very relevant to the next day. Load conditions can change significantly in a day. Additionally, a single day can be much more affected by market power and have a price cost markup in peak hours which then affects the price shape. Using an average of multiple days, PG&E may propose the previous 5 days, is that any anomalies from a single day, whether load or price cost markup anomaly, would be watered down and reduced by using an average.

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.