

Price Formation Enhancements Working Group

10 - 10 Aug 2023

Poll results

Table of contents

- What are the problems/challenges you are currently facing as it relates to the Guiding Principle “Efficiency”
- What are the problems/challenges you are currently facing as it relates to the Guiding Principle “Simplicity”
- What are the problems/challenges you are currently facing as it relates to the Guiding Principle “Transparency”
- What are the problems/challenges you are currently facing as it relates to the Guiding Principle “Feasibility”
- Does the following statement reflect one of our Guiding Principles or need inclusion via a new guiding principle: Provide stronger incentives for market participants to perform and deliver in tight system conditions?
- Does the following statement reflect one of our Guiding Principles, need inclusion via a new guiding principle: Protect scarcity pricing provisions from triggering the potential of market power? Should this be converted into a Problem Statement for the PFE initiative?
- Should any of the principles be changed? Are there any other principles that should be included? – Open Text

What are the problems/challenges you are currently facing as it relates to the Guiding Principle “Efficiency”

(1/2)

- Looks generally good. An efficient design should promote strong price signals to provide better incentives for demand response participation and long term investment.
- The discussion around Efficiency seems too focused on how undesirable high prices are (we all agree on that), and not enough on how efficient scarcity pricing provisions are in preventing scarcity in the first place.
- Efficiency comes across as static, that which is efficient for the market to ensure sufficient supply will not be efficient for end-use customers
- An efficient market is one that maximizes consumer and supplier total surplus.
- To which markets is the efficiency to be applied? Efficiency likely means different things for the CAISO market, vs. the western bilateral market or EIM/EDAM.
- Unclear or inconsistent signals between DA and RT.

What are the problems/challenges you are currently facing as it relates to the Guiding Principle “Efficiency”

(2/2)

- Strongly appreciate the emphasis on consumer interests/protections in bold on the previous slide. Want to see appropriate non-performance penalties considered alongside any discussion of scarcity pricing (but still okay considering scarcity pricing).
- null
- Would like a more defined set of criteria as there could be a lot of speculation as to what efficiency is trying to achieve.

What are the problems/challenges you are currently facing as it relates to the Guiding Principle "Simplicity"

(1/2)

- the use of buzzwords in this presentation to ask questions is unclear. The basic issue is that scarcity pricing makes the assumption that there is available capacity in BA's other than CAISO
- Agree that this will not be a simple design.
- Various market products and ancillary services should have clear relationships and prioritization between them.
- The relationship between bilateral prices, capped at the WECC soft offer cap, and CAISO prices makes Simplicity concept difficult if we do anything besides keep the CAISO power balance penalty price aligned with the WECC cap at \$1,000
- This does not make sense. I don't know what simplicity even is referring to.
- "Simple" doesn't lend itself to these complexities, but proposed solutions ought

What are the problems/challenges you are currently facing as it relates to the Guiding Principle “Simplicity”
(2/2)

to have easy to understand
examples and scenarios if possible.

- null
- null

What are the problems/challenges you are currently facing as it relates to the Guiding Principle “Transparency”

(1/2)

- When out-of-market actions are taken especially (e.g. calling state or utility programs that aren't market participating resources or are participating at operational cost), this suppresses the real-time prices below a level that indicates risks to serve load. This sends price signals that there aren't operational challenges that need to be addressed and minimizes performance incentives. Signals should be transparent on grid conditions across the WEIM.
- Scarcity pricing should serve as a signal for when RA programs are not functioning as intended and should not be a discretionary economic alternative to longer-term supply adequacy
- The largest problem with

What are the problems/challenges you are currently facing as it relates to the Guiding Principle “Transparency”

(2/2)

price transparency today is the use of multi-interval optimization to set price and quantities, but only publishing prices and settling on a single interval of the solution.

Having no view of the forward solution doesn't allow MP's to measure the validity of the solution beyond the binding interval.

- The role of the CAISO BA and the CAISO MO need to be clearly defined and differentiated.

What are the problems/challenges you are currently facing as it relates to the Guiding Principle “Feasibility”

(1/2)

- null
- We are having challenges with "feasible" dispatches by the CAISO market on storage especially when storage had received a DA award and is derated in real-time, because the CAISO will issue energy awards instead of procuring incremental AS for the portion not available. We believe re-optimizing AS or some mechanism needs to be discussed to address the feasibility concerns with the RTM energy awards.
- Inconsistent RA programs across the region when this is clearly interrelated.
- Transmission constraints
- Implementing this in time for EDAM launch in Spring 2025--given

What are the problems/challenges you are currently facing as it relates to the Guiding Principle “Feasibility”

(2/2)

the abundance of other initiatives related to it--does not seem feasible. Even participating in weekly workshops with comments for each one is beyond what our office can realistically handle.

- null

Does the following statement reflect one of our Guiding Principles or need inclusion via a new guiding principle: Provide stronger incentives for market participants to perform and deliver in tight system conditions?

0 1 0

(1/2)

- Just to memorialize my earlier chat comment, I think Reliability and Accuracy are needed as Principles that support this statement.
- I could see this in Simplicity. It also sounds like there may be some appetite for more "stable" incentives.
- Does "perform and deliver" refer to previously committed transactions (like RA), or is it intended to attract additional supply in DA or RT?
- Provide reasonable incentives for performance and for entering into long-term operational improvements to increase capability of the assets. It's important to recognize its both signals during an operating day and signals that can incentivize investments.
- Yes. Some have

Does the following statement reflect one of our Guiding Principles or need inclusion via a new guiding principle: Provide stronger incentives for market participants to perform and deliver in tight system conditions?

0 1 0

(2/2)

- recommended considering higher capacity performance penalties in lieu of this. However, it is up for debate whether it is more efficient to accomplish this objective through a capacity payment, or directly through the market price at a given time.
- It's not clear how frequently market participants are not performing in tight system conditions.
 - Should be an objective of the initiative, whether characterized as a principle or problem statement
 - Feasibility
 - null
 - Yes

Does the following statement reflect one of our Guiding Principles, need inclusion via a new guiding principle: Protect scarcity pricing provisions from triggering the potential of market power? Should this be converted into a Problem Statement for the PFE initiative?

003

- I don't understand what this means.
- null

Scarcity kicks in when there are insufficient supply or reserves to meet requirements so there's no market power that can be triggered.

Can you explain?

- Yes, preventing scarcity pricing from incentivizing exercise of market power or physical withholding, should be a guiding principle.

Should any of the principles be changed? Are there any other principles that should be included? – Open Text

002

- Reasonableness - solutions need to balance interests among a diverse stakeholder community and not yield a solution which may prioritize only a single perspective
- null