



California ISO

BAA-Level Market Power Mitigation

Price Formation Working Group Session #14

February 21, 2024

Housekeeping reminders

- This call is being recorded for informational and convenience purposes only. Any related transcriptions should not be reprinted without ISO's permission.
- These collaborative working groups are intended to stimulate open dialogue and engage different perspectives.
- Please keep comments professional and respectful.
- Note: The ISO encourages any verbal or written agreements to comments made during this working group session.
- You may also send your question via chat to either Brenda Corona or to all panelists.

Instructions for WebEx

- The “raise hand” icon is located in the lower tool bar. You will hear a beep tone when you are un-muted; at that time please state your name, and question. Attendees dialed in on the phone only press #2 will hear a notification when you are un-muted; at that time please state your name and question. 
- WebEx platform will **LOCK** and mute you if you mute yourself once you have finished your question. Do not mute yourself until you have completed your question or comment.

Today's Working Group Agenda

Time	Topic	Presenter
1:00 – 1:05 PM	Welcome, Today's Agenda, Stakeholder Process Overview	Brenda Corona
1:05 – 1:10 PM	Today's Goals/Review of Previous BAA Level MPM Session	Juan Buitrago
1:10 – 1:45 PM	Stakeholder Discussion : BAA Level MPM Problem Statements/Assessment	James Friedrich / Sylvie Spewak
1:45 – 2:30 PM	Stakeholder Discussion : Policy Recommendations for BAA Level MPM	Juan Buitrago
2:30 – 2:45 PM	Stakeholder Discussion : Potential Solutions / Stakeholder Comment	Juan Buitrago
2:45 – 3:00 PM	Next Steps	Brenda Corona

ISO Policy Initiative Stakeholder Process



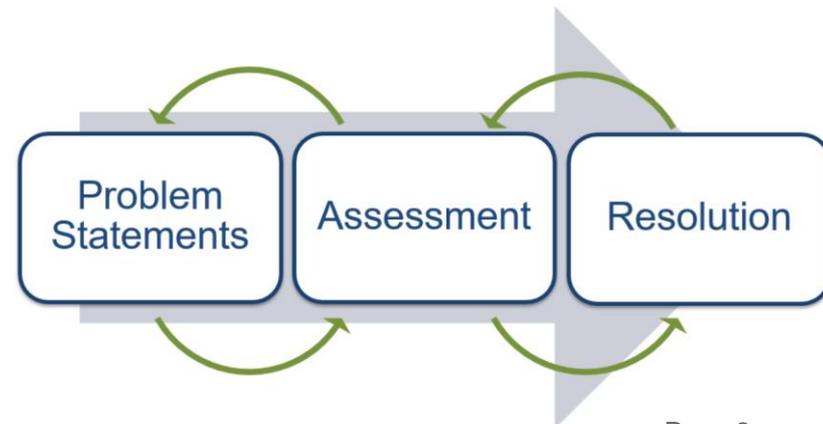
Stakeholder meetings, working groups and workshops may occur throughout the stakeholder process.

We are here

- Working groups will inform the Phase 1 straw proposal
- The ISO will take notes and produce reports of each of our working group meetings.

Working Group Progress to date – BAA Level MPM

- Frame/Level Set on Policy Area **[Done!]**
- Issue/Challenge Identification **[Done!]**
- Problem statements **[Done!]**
 - Problem Statements translate issues into actionable items
- Assessment **[In progress]**
 - Validate problem statements as represented
 - Identify ways to measure the issues or asses the impact of potential solutions
 - Align on priorities and prepare for solution development
- Resolving the issues **[Next Step]**
 - Identify existing opportunities
 - Develop solutions



Goals of Today's Working Group Session

The Working Group structure is meant to embrace flexibility to allow organic and robust conversation on the topics at hand – it is still key for us to drive towards solutions collaboratively

- **Return to BAA-Level Market Power Mitigation**
 - Review previously discussed problem statements
 - Validate the problem statements as reflected
 - As a Stakeholder community find ways to assess the impact of potential solutions
- **Address Stakeholder feedback received in comments**
 - Continue discussion from feedback to capture necessary considerations for solutions

BAA Level MPM Discussion to date

- 2022 (Pre Working Groups) – Price Formation Enhancements Issue Paper
- Working Group Session 1 ([here](#))
 - PFE Overview Review
- Working Group Session 3 ([here](#))
 - BAA-Level MPM Principles
- Revised PFE Overview with clarifications ([here](#))
- Working Group Session 4 ([here](#))
 - BAA-Level MPM Level Set
- Working Group Session 8 ([here](#))
 - BAA-Level MPM Problem Statements and Data

Review of Previous Session (11/16/2023)

- The previous MPM working group covered key aspects of BAA-level market power in the WEIM:
 - Participants discussed problem statements concerning BAA level market power mitigation.
 - DMM presented data analysis and discussed key points to help stakeholders understand the mechanics and impact of BAA-level MPM in the WEIM.
 - CAISO shared additional information on a potential grouping approach to BAA-level MPM.

Proposed Problem Statement #1

- The BAA-level market power test may underestimate a BAA's true structural competitiveness
 - **Root cause:** The BAA-level Dynamic Competitive Path Assessment (DCPA) tests BAAs in isolation and does not consider external available supply.
 - **Impact:** BAAs may fail the DCPA more frequently than their actual competitiveness justifies, subjecting them to mitigation too often.

Proposed Problem Statement #2

- The BAA-level market power test may exclude legitimate uncompetitive conditions.
 - **Root cause:** The BAA-level DCPA does not apply to the CAISO balancing area.
 - **Impact:** The CAISO BAA is always considered structurally competitive even in cases when it wouldn't pass the same competitiveness tests that apply to other WEIM BAAs.

Proposed Problem Statement #3

- The existing BAA-level market power mitigation utilizes a transfer constraint-based trigger to test for structural uncompetitiveness, resulting in market power mitigation being triggered most frequently in hours inconsistent with when one would expect the need to test for market power (e.g. high renewable and low load conditions).

Impact/Assessment

- DMM presented data analysis and discussed key points to help stakeholders understand the potential impact of existing MPM.
 - Estimated the potential increase in MW due to mitigation as a potential indicator of successful mitigation
 - Showed that this is a small fraction of the total MW mitigated, which is a small factor of total MW subject to mitigation
- One stakeholder suggested that mitigation triggering during periods of low load, high imports, and off-peak hours indicates that the current system might not align well with its intended purpose. This may not be an appropriate indication of successful MPM using a grouping methodology.

Impact/Assessment

- Some stakeholders call for further studies and analyses to better understand market power dynamics at the BAA level, including the impact of mitigation on price competitiveness and the structural market power in specific regions.
- What else do we need to look at?
- Any other suggested methodologies for assessment?

Considerations for solution development

- Create a Grouping Methodology for BAA-Level MPM
- Determine whether the CAISO should be included in BAA-level MPM
- Consider an impact test for BAA-Level MPM

Key steps for CAISO to address the concerns and suggestions raised by stakeholders during the policy development phase

Clarify and
Share
Information

- Publish detailed FAQs

Engage
and
Collaborate

- Collaborate on solutions in a working group setting
- Continue to solicit detailed feedback

Analyze
and Study

- Assess impacts
- Perform example exercises

Stakeholder feedback

Commonly expressed viewpoints	Details
Support for exploring new methodologies and general support for further policy development and improvement	Several stakeholders support exploring new approaches to improve the accuracy and effectiveness of BAA-level MPM. Despite varying degrees of concern and the need for further clarification, there is a general trend of collective interest towards continuing the conversation and policy development process to address and mitigate market power effectively.
Need for clarity and further information	Many stakeholders emphasize the need for clarification on the methodology, definitions, and technical descriptions related to BAA-level MPM. There's a shared desire for a deeper understanding of how MPM mechanisms are applied and their implications.

Stakeholder feedback

Commonly expressed viewpoints	Details
Concerns over current mitigation triggers	Some entities express concerns about the current criteria and conditions under which BAA-level MPM is triggered. They highlight issues with mitigation triggering during periods of low load, high imports, and off-peak hours, suggesting that the current system might not align well with its intended purpose.
Need for comprehensive analysis and studies	Some stakeholders call for further studies and analyses to better understand market power dynamics at the BAA level, including the impact of mitigation on price competitiveness and the structural market power in specific regions.

Annual Policy Initiatives Roadmap Process 2024

Please submit potential discretionary initiatives to the 2024 annual policy catalog.

Submission deadline is Wednesday, **February 28, 2024**

- comment template [here](#)
- information on this process [here](#).

Any questions or concerns email us at ISOStakeholderaffairs@caiso.com

Save the Date: 2024 Stakeholder Symposium

- The California ISO Stakeholder Symposium to be held Oct. 29-30, 2024
- The Symposium will be held at the Safe Credit Union Convention Center in Sacramento, California
- Welcome reception for all attendees the evening of Oct. 29. Additional information, including event registration and sponsorship opportunities, will be provided in a future notice and on the ISO's website.

Welcome reception:	Stakeholder symposium:
Date: Oct. 29, 2024 Time: 5:30 p.m. - 7:30 p.m. Location: To be announced	Date: Oct. 30, 2024 Time: 8:00 a.m. - 4:30 p.m. Location: <u>Safe Credit Union Convention Center</u> , 1400 J St., Sacramento, CA 95814

Please contact Symposium Registration at symposiumreg@caiso.com with any questions.



California ISO

SAVE THE DATE

2024 STAKEHOLDER SYMPOSIUM

OCT. 30, 2024
SACRAMENTO, CA

Moderator: Elliot
Martin Adams, General Manager, Los Angeles
Stefan Bird, President & CEO, Pacific Power
Lisa A. Grow, President & CEO, Idaho Power
Steve Powell, President & CEO, Southern California
James Shelter, General Manager, Balancing Authority
Debra Smith, General Manager & CEO, Seattle
Caroline Winn, CEO, San Diego Gas & Electric

