



## 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 straw proposal that was published on November 26, 2019. The proposal, meeting presentation, and other information related to this initiative may be found on the initiative webpage at: <http://www.aiso.com/StakeholderProcesses/FERC-Order-831-Import-bidding-and-market-parameters>.

Upon completion of this template, please submit it to [initiativecomments@caiso.com](mailto:initiativecomments@caiso.com). Submissions are requested by close of business on **December 19, 2019**.

Submitted by	Organization	Date Submitted
Bonnie Blair 202-585-6905	Cities of Anaheim, Azusa, Banning, Colton, Pasadena, and Riverside, California ("Six Cities")	December 19, 2019

Please provide your organization's comments on the following issues and questions.

#### 1. Import bids greater than \$1,000/MWh

Please provide your organization's feedback on import bids greater than \$1,000/MWh as described in section 4.1. Please explain your rationale and include examples if applicable.

**Six Cities' Comments:** The Six Cities generally support the CAISO's proposal, as described in Section 4.1 of the Revised Straw Proposal, to establish maximum import bid prices based on published index prices in the bilateral energy market.

#### 2. Maximum import bid price calculation

Please provide your organization's position on the ISO's proposal to calculate a maximum import bid price to "cost-verify" import bids and its components:

**Six Cities' Comments:** The CAISO's proposed methodology for determining maximum import bid prices, as described in Section 4.1.1 of the Revised Straw Proposal, appears to be reasonable.

#### 3. Implementing the maximum import bid price

Please provide your organization's feedback on the following options proposed for implementing the maximum import bid price as described in section 4.1.2. Please explain your rationale and include examples if applicable.

Option 1 - Implements the maximum import bid price as a cap import bids to the maximum of \$1,000/MWh or the CAISO-calculated maximum import bid price:

Option 2 - Implements the maximum import bid price by reducing import bids above both \$1,000/MWh and the CAISO-calculated maximum import bid price to the greater of maximum import bid price or \$1,000/MWh:

**Six Cities' Comments:** Of the two approaches being considered for implementation of the maximum import bid price, the Six Cities prefer Option 2, *i.e.*, reducing import bids that exceed both \$1,000 and the maximum import bid price to the greater of the maximum import bid price or \$1,000, with an opportunity for suppliers that submitted higher bids to recover their bid costs above the maximum allowed bid price by verifying their actual costs on an after-the-fact basis. The Six Cities are concerned that Option 1 (simply rejecting all import bids that exceed both \$1,000 and the maximum calculated bid price) is too rigid and could result in the CAISO turning away cost-justified supply at times of high system need. The Option 2 approach would increase total available supply by allowing the CAISO to accept supply subject to cost-verification of amounts in excess of the maximum import bid calculation.

#### 4. Market constraint relaxation parameter prices based on verified bids

Please provide your organization's feedback on the following options proposed to address market constraint relaxation parameter prices based on verified bids as described in section 4.2. Please explain your rationale and include examples if applicable.

Option 1 - Scale penalty prices relative to the power balance constraint relaxation penalty price set at the \$2,000/MWh hard energy bid cap:

**Six Cities' Comments:** The Six Cities oppose application of constraint relaxation energy prices based on the \$2,000/MWh hard energy bid cap. Increasing the level of the constraint relaxation prices by 100% is not justified by FERC's directive in Order No. 831 to allow energy prices to increase above \$1,000/MWh when justified by demonstrable costs. Under Option 1, penalty prices would double even under conditions when bids greater than \$1,000/MWh would not be permitted, and a rise in costs to levels only slightly above \$1,000/MWh could trigger penalty prices far in excess of cost-justified amounts.

Option 2 - Scale penalty prices relative to the power balance constraint relaxation penalty price set at the \$2,000/MWh hard energy bid cap only when there are bids in the market that have been cost-verified at a price greater than \$1,000/MWh:

Option 2A – Set energy prices in pricing run based on applying the “price discovery mechanism” when there the power balance constraint needs to be relaxed:

Option 2B – Set energy prices in pricing run based on \$2,000/MWh power balance constraint penalty price:

**Six Cities' Comments:** The Six Cities support increasing the power balance constraint relaxation penalty price above \$1,000/MWh only when bids in the market have been cost verified at one or more prices greater than that amount. But rather than setting the constraint relaxation penalty at the highest cost-verified bid (“the price discovery approach”) or jumping automatically to the \$2,000/MWh hard cap level, the Six Cities recommend consideration of an “Option 2C,” setting the power balance constraint relaxation penalty price at a level \$250/MWh above the highest cost-verified bid.

Setting the power balance constraint relaxation penalty at the same level as the highest cost-verified bid would not be effective in signaling the existence of market shortage conditions. Conversely, increasing the power balance constraint penalty price to \$2,000/MWh when cost-verified bid levels exceed \$1,000/MWh by more modest amounts could result in unwarranted windfalls. Accepting the CAISO's premise that the constraint relaxation penalty price should be no less than the maximum allowed bid price and recognizing the potential benefits of an effective energy shortage price signal, the Six Cities support application of an adder to the maximum cost-verified bid to establish the penalty price level. The Cities suggest an adder of \$250/MWh above the maximum cost-verified bid, because that amount seems sufficient to provide an effective shortage signal without resulting in massive windfalls.

**Additional comments**

Please offer any other feedback your organization would like to provide on the FERC Order 831 – Import Bidding and Market Parameters revised straw proposal.

**Six Cities' Response:** The Six Cities have no further comments on the Revised Straw Proposal at this time.