



Comments on Penalty Prices and Scheduling Priorities in CAISO Market – 11/20/20 Informational Call

Comment period

November 30, 2020 - December 9, 2020

1. Provide summary of your organization’s comments on the workshop and the scope of the material presented:

Vistra Corporation (“Vistra”) appreciates the opportunity to provide feedback to the CAISO on its November 20, 2020 call discussing Penalty Prices and Scheduling Priorities in CAISO Market. We thank the CAISO staff for leading the special meeting where its internal subject matter experts could explain its use of penalty prices to impact scheduling priority in the market applications. We believe it is prudent the CAISO continue to hold technical workshops to share the essential information needed to evaluate the merits of its market mechanics against established policy – needed level setting. Given the complexity of the subject matter and stakeholders’ active engagement at the November 20th meeting, the CAISO was not able to complete their presentation and we would appreciate the chance to finish the initial dialogue with internal experts. At a minimum, Vistra asks the CAISO to schedule an additional workshop to complete the discussion on the slides provided on November 20, 2020. At best, we ask the CAISO to schedule a set of workshops to complete the previously submitted slides, allow stakeholders to provide feedback on market challenges they are experiencing, and discuss any future changes to Business Practice Manuals in a transparent fashion. If CAISO identifies a need to pursue tariff changes as result of these workshops, we ask the CAISO to commit to initiating a policy stakeholder effort to transparently stakeholder potential solutions before seeking approval. We are committed to engaging with the CAISO on this important subject matter and look forward to future discussions.

2. Provide your organization’s comments on change in practice the CAISO adopted on September 5, 2020, to use schedules from scheduling run in the day-ahead residual unit commitment (RUC) process instead of schedules from pricing run:

Vistra is not aware of any nuance in the Tariff language that specifies whether the day-ahead market results utilized by the real-time markets are the outputs from the scheduling or the pricing run. Unless otherwise identified, we understand and appreciate the CAISO’s explanation that its existing Tariff language allows this change within a standard Business Practice Manual change process time allowing. During the discussion on November 20th, we understood that the change to use the scheduling run outputs mitigates some market concerns of the CAISO when scheduling priorities can shift between scheduling and pricing run in a way that the CAISO believes undermines reliability. Vistra asks the CAISO to include in future workshops a deeper discussion on whether there may be better solutions to ensure feasible solution supporting reliability. For example, during the discussion it became clearer that while there is a limiter to the amount the pricing run’s solution can adjust a self-schedule below the scheduling run’s solution there is not a limiter on the upward side that would limit the amount the pricing run can adjust a self-schedule **above** the scheduling

run's solution. This raises a question as to whether a more optimal solution could be to include a limiter on the upward side as well and to continue to use the pricing run solution uniformly as the input to the real-time markets. We would appreciate further dialogue on this topic.

3. Provide your organization's comments on the change in practice the CAISO adopted on September 5, 2020, to use RUC schedules for exports as the reference protected into real-time markets:

Conceptually, Vistra believes this change largely should leave exporters in a similar risk position assuming exporters understand the impact of this change. From the CAISO presentation we understand that prior to this change IFM export awards would be reflected as a self-schedule in the real-time market processes with no action from exporters. Under the changed rules, we understood from the discussion that the only impact to exporters is there is an additional administrative burden to actively submit a self-schedule bid into the real-time market before its close to receive the same treatment. We ask the CAISO to confirm if our understanding from the discussion on November 20th call is accurate that the new requirement to actively bid for amounts above RUC schedule up to its IFM award is the only impact of the change. If we are mistaken, in future discussions we ask the CAISO to further elaborate on the other impacts.

Technically, Vistra would like a better understanding of why the CAISO believes this change did not merit a tariff change. We ask the CAISO to elaborate on its determination that the Tariff Section 34.1.1 language that states "all of the Real-Time Market processes utilize results produced by the Day-Ahead Market for each Trading Hour of the Trading Day, including the combined commitments contained in the Day-Ahead Schedules, Day-Ahead Ancillary Service Awards, and RUC Schedules". The use of the word combined in the sentence seems meaningful to us that the Tariff would require the upper bound of the MW amounts awarded through the day-ahead market processes to be utilized in the Real-Time Markets. We appreciate better understanding the regulatory interpretation that allows this change without stakeholdering first.

4. Provide your organization's comments on current priority assigned to the various types of export self-schedules as described in Section 31.4 and 34.12 of the CAISO tariff:

No comments to provide currently.

5. Provide your organization's comments on what additional detail regarding today's practices should be included in the BPM language to better describe business practice change adopted on September 5, 2020

Vistra thanks the CAISO for providing stakeholders the opportunity to provide this feedback. We suggest the following Market Operations Business Practice Manual changes should be considered:

- Revise Section 6.6.5 Integrated Forward Market (IFM) Parameter Values table, Residual Unit Commitment (RUC) Parameter Values table, and Real Time Market Parameters table as follows:
 - Reflect effective penalty prices the market application is using shown by * in slides.
 - Add market parameters and their applicable penalty prices used in the market application that are not currently included in the tables shown by # in slides.
 - Re-order the parameters within the table so that the parameters are in descending order from highest penalty price to lowest penalty price.

- Separate the market parameters that have both a low and high penalty price such as IFM Transmission Ownership Right (TOR) self-schedule or RTM system power balance constraint and order them as requested above in descending order.
- Add an explanation of the use of the limiter(s) in the pricing run (epsilon ϵ) expanding the bound on the range the pricing run solution can deviate from the scheduling run solution to be considered feasible solution.
- Include description and example of RUC's use of the supply side adder (-\$250/MWh) and demand side adder (\$300).

We expect that additional items that would be useful for market transparency will be identified through further workshops and discussions. Vistra appreciates the CAISO asking for this direct feedback and hopes the CAISO will continue to seek this feedback after each technical session.

6. Provide your organization's comments on what additional details regarding scheduling priorities and the treatment of self-schedules should be discussed in subsequent stakeholder meetings.

As mentioned in our summary, Vistra asks the CAISO to schedule a set of workshops to complete the previously submitted slides, allow stakeholders to provide feedback on market challenges they are experiencing, and discuss any future changes to Business Practice Manuals in a transparent fashion. On the second discussion item, Vistra believes it would be beneficial for the market to understand the concerns that stakeholders raised during the BPM change management including the challenges identified by market participants. It would be helpful if in a future call that stakeholders are invited to present on their perspectives and experiences. We expect this would follow the CAISO's technical level-setting. If these discussions lead to further BPM changes or tariff changes, we would be better able to evaluate the merits of further changes if we better understand the practical issues market participants have raised with the CAISO's recent changes. Finally, if any further BPM changes are identified that the CAISO intends to submit through Proposed Revision Requests instead of a stakeholder request, we ask the CAISO to hold at least one call reviewing these and its rationale with stakeholders under this process to increase transparency.