

WPTF Comments on Commitment Costs and Default Energy Bid Enhancements Revised Draft Final Proposal

Carrie Bentley, Resero Consulting for WPTF, 916-217-1571, cbentley@resero.com

February 27, 2018

About the Western Power Trading Forum

The Western Power Trading Forum (WPTF) is a California nonprofit, public benefit corporation. It is a broad-based membership organization dedicated to enhancing competition in Western electric markets while maintaining the current high level of system reliability. WPTF supports uniform rules and transparency in order to facilitate transactions among market participants. The membership of WPTF includes load serving entities, energy service providers, scheduling coordinators, generators, power marketers, financial institutions, and public utilities, all of which participate actively in the California market, and other such markets in the West and across the country.

Comment Summary

WPTF appreciates the opportunity to provide comments on the Commitment Costs and Default Energy Bid Enhancements Revised Draft Final Proposal that was discussed on a stakeholder call on February 1, 2018. WPTF continues to support the direction of the proposal in its entirety, and is especially pleased to see the ISO reflect aspects of the Joint Parties Counter Proposal (“Counter Proposal”) and its explicit commitment to conducting an evaluation of the market mitigation mechanism after one year of implementation.

WPTF commends the ISO staff for its efforts throughout the entire market design process. The robust discussions and participation amongst all stakeholders ultimately led to a balanced design that will enable suppliers to better reflect willingness to supply and provide for cost recovery while protecting against market power. WPTF’s comments below support the ISO’s decisions regarding certain elements to include and those to omit from the final market design that were previously discussed in December 2017.

Overall comments on proposal

Bidding flexibility has been a topic of discussion since MRTU went live. Market participants have continually voiced concerns regarding the overly restrictive bidding rules imposed on commitment cost offers such that suppliers cannot accurately reflect both costs and willingness to supply energy to the market. WPTF accepts the current minimum load and start-up offer caps as a way to protect the market against the exercise of market power – but also strongly supports an enhanced structure that better allows accurate representation of costs and willingness to provide energy to the market. Thus, WPTF is supportive of the CAISO proposal to allow market based offers with a dynamic market power mitigation model which will align the bidding structure between incremental energy offers and commitment offers. Market-based offers under competitive conditions will not only improve market efficiency, but they will ensure the least cost resources are dispatched to meet load, as well as aid in price formation.

Comment Details

(1) WPTF supports the ISO's proposal to only lower the mitigation level to 110% when the circuit breaker cap is increased to 300%.

WPTF greatly appreciates the ISO's proposed changes that align with the Joint Parties Counter Proposal. Despite the Counter Proposal's suggested 300% cap with a 125% mitigation level, WPTF is supportive of the ISO's phased approach given the ISO's commitment to evaluate the mitigation mechanism one year after implementation and setting the cap to 300% if the mitigation is found to be accurate. WPTF appreciates the ISO committing to a specified timeline to conduct an assessment of the market power mitigation mechanism and retaining the 125% mitigation and 200% circuit breaker cap levels until the mitigation mechanism is improved.

Further, WPTF supports the ISO's recognition that the mitigation level should be lowered to 110% only when the circuit breaker cap increased to 300%. Lowering the mitigation level to 110% without increasing the circuit breaker cap to 300% distorts the balance of protecting against over and under mitigation during the initial year of implementation, which was a fundamental element of the Joint Parties Counter Proposal.

(2) WPTF supports the ISO's decision to only allow hourly minimum load cost bidding and retain daily start-up cost bids.

As noted in WPTF's previous comments, WPTF was shocked to see such a drastic change as allowing for hourly start-up cost bidding to the market design at the end of the policy discussion process. While on face value, hourly start-up costs could be seen as improving bidding flexibility, there were too many design issues and market impacts that had yet to be fully vetted with stakeholders. WPTF appreciates the ISO acknowledging that hourly start-up cost bidding introduced too many hurdles and thus opted to no longer consider hourly start-up cost bids in the latest proposal.

(3) The ISO needs to commit to conducting a stakeholder process to evaluate the necessary optimization changes such that resources will only be committed in hours where a minimum load cost bid is submitted.

As discussed in WPTF's previous comments, it is WPTF's understanding that there is no explicit constraint in the IFM or certain real-time unit commitment processes that will ensure a resource is only committed during hours where the supplier has submitted a minimum load cost bid. WPTF recognizes that the frequency for which this may occur is unknown, but nevertheless it needs to be addressed. WPTF continues to support moving forward with the design as currently structured to facilitate hourly minimum load cost bidding but, again, requests that the optimization changes be evaluated in a subsequent stakeholder process. An assessment of the frequency for which resources are committed in hours without a minimum load cost bid could be incorporated into the ISO's already planned assessment of the market power mitigation mechanism. Depending on the results of such an assessment, the ISO and stakeholders can make a more informed decision on if/what changes should be considered to ensure resources are only committed in hours they have submitted a minimum load cost offer.