**Western Power Trading Forum Comments on Commitment Costs and Default Energy Bid Enhancements Straw Proposal**

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

July 20, 2017

## 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 Straw Proposal posted on June 30, 2017 and meeting held on July 6, 2017.[1] It is clear the CAISO has put a lot of work into considering different ways give suppliers additional commitment costs bidding flexibility and WPTF commends the speed and depth of thought that has occurred by policy staff.

WPTF would also like to thank the CAISO for updating its paper and presentation templates. The new formats make it easier for stakeholders to understand the proposal, stakeholder views, and the CAISO's rational for moving forward with different market design aspects.

WPTF supports the straw proposal direction in its entirety. Specifically, we support (1) Hourly minimum load offers, (2) Market-based commitment costs subject to mitigation, and (3) improved estimates of commitment cost reference levels, and finally (4) removing the exceptional dispatch mitigation topic from the initiative's scope. Given our strong support for the straw proposal, we focus specific comments below on process and certain market-design level details rather than going through each proposed change.

## The CAISO should move forward and implement the full proposal in Fall 2018, regardless of potential interactions with other initiatives or high costs.

The FERC December 2014 decision approving the filing for the Commitment Cost Enhancements proposals provided the following guidance to the CAISO on its efforts to improve cost recovery for gas-fired resources, "… we expect CAISO to abide by its commitment to consider longer-term market design changes for commitment cost bids in conjunction with the bidding rules enhancements stakeholder initiative commenced earlier this month."[2]

[1] A member list can be found here and these comments do not necessarily represent individual member views.
[2]http://www.caiso.com/Documents/Dec302014_OrderAcceptingCommitmentCostEnhancementsTariffRevision_ER15- 15-001.pdf.

WPTF urges the CAISO to devote resources and budget to implement the straw proposal in Fall 2018, which is a true, long-term market solution to the commitment cost problem. The CAISO has noted that high costs may prevent moving forward with aspects of this proposal; however, it is challenging to accept that costs would be so high as to negate the benefits of having a healthy energy market in the face of high renewable integration. Therefore, WPTF would view any delays, particularly after developing such a well-thought out proposal, as a direct violation of FERC guidance and the CAISO's mandate to run a robust energy market.

**WPTF supports investigation into Dr. Scott Harvey's suggestion to limit the application of commitment cost mitigation to resources relieving a constraint that was in the transmission constraint set monitored in the IFM or RTPD.**

At the July 10, 2017 Market Surveillance Committee meeting, Dr. Harvey suggest that the CAISO should explore modifying the proposed design to limit the application of commitment cost mitigation to resources relieving a constraint that was in the transmission constraint set monitored in the IFM or RTPD, even if the constraint was not binding in the final energy dispatch solution of the market power pass. He noted that this approach would apply mitigation to the minimum load and start-up cost offers of any resource relieving a constraint that was active in the final iteration of the IFM or RTPD, even if the constraint was not binding in the final dispatch solution of the market power mitigation pass. We support his recommendation and rational that if a constraint was not in the monitored transmission constraint set, it could not have caused a resource to be committed. The benefit of this approach is that units that could not have been committed to relieve a constraint would be able to submit market based offers and accurately reflect both gas and start related costs in their offers.

**The hourly minimum load market design should be further enhanced in order to address supplier flexibility needs.**

Currently a single start-up and minimum load offer is submitted for each resource, each day and there is no ability to shape commitment cost offers or not offer in certain hours. The CAISO has proposed to allow shaping minimum load offers by hour and to allow a nil value in certain hours- that is allowing a resource not to offer in particular hours. WPTF strongly supports this proposal. That said, it will be important to carefully craft the details around this policy in order to ensure a balance between the firm need to respect physical parameters and allow supplier bidding flexibility.

The current proposal will insert offers for a resource if the resource is committed and their minimum run time extends beyond hours where the resource has a minimum load offer. WPTF issues with this proposal:

- The market needs a value to determine the merit order of committing a resource online and determine a dispatch value. If a resource has not offered in an hour, the market would not be able to account for the minimum load cost of the resource in those hours.
- If a scheduling coordinator does not offer in particular hours, that should be taken as an indication that the supplier does not want to run at any price during that time. The CAISO therefore should prevent the market from dispatching the resource during these hours. For example:

- If a resource offers into the market for 6 hours and has a 6 hour minimum run time, then the market should either dispatch the resource for those 6 hours, or not at all.
- If a resource offers into the market from HE 6 – HE 22 and has a 6 hour minimum run time, the CAISO should not be able to commit the resource from HE 22 – HE 28.

- If the CAISO needs to dispatch the resource out-of-market, the CAISO should consider using the resource's minimum load reference level for BCR purposes – similar to how the CAISO uses the DEB for dispatching non-offered energy about minimum load.

**Other comments:**

- WPTF supports the CAISO's statements at the July 6, 2017 meeting that this proposal will not change RA resources' tariff must-offer obligations and would like to see this made explicit in the draft final proposal.
- WPTF supports the CAISO's statement at the July 6, 2017 meeting that if the dynamic mitigation proves infeasible, they would continue to explore other market power tests in order to allow minimum load offer flexibility and would like to see this made explicit in the final draft proposal.
- The CAISO proposal continues technology-specific exemptions from mitigation for demand response, participating load, and non-generator resources. While WPTF does not support delaying this initiative to address whether these resources should in fact be mitigated, we note that as these resource types increasingly connect to the grid it seems prudent to periodically review whether their mitigation exemption is necessary and beneficial to the grid.