

Comments on FERC Order 831 – Import Bidding and Market Parameters: Draft Final Proposal

Department of Market Monitoring

May 20, 2020

The Department of Market Monitoring (DMM) provides these comments on the ISO's *FERC Order 831 – Import Bidding and Market Parameters Draft Final Proposal* (proposal).¹

Comments

DMM generally supports the ISO's proposal as a reasonable approach to allowing bids over the \$1,000 soft offer cap in compliance with FERC Order 831.

The ISO will require cost verification for all resource specific import resources based on contemporaneously available information. For non-resource specific resource adequacy imports the ISO will calculate a "maximum import bid price" based on published price indices. Non-resource adequacy imports can bid up to the \$2,000 hard offer cap. Non-resource adequacy import bids over \$1,000 will only be considered when the "maximum import bid price" is above \$1,000 or there are verified resource specific costs over \$1,000.

DMM continues to recommend that the ISO create a manual process to allow non-resource specific resource adequacy imports to bid over the calculated "maximum import bid price" if they can justify that the bids reflect their actual costs. DMM understands that generally it will not be possible to verify such costs before each market run and that a manual process may rarely if ever be used. But in the event that a resource adequacy import can show that its costs are above the calculated "maximum import bid price", the ISO should provide an option to allow the import to bid its actual costs.

DMM supports the ISO's decision to not double the power balance constraint penalty price to \$2,000 at all times for the rare instances needed for 831 compliance. The power balance penalty price is tied to many complex issues which are better suited to be discussed fully in their own stakeholder initiative rather than a compliance filing on Order 831.

DMM also notes that a variety of options that may involve limitation of energy bids for resource adequacy imports are being examined by the ISO and CPUC in resource adequacy initiatives and proceedings, and have been discussed in the context of the ISO's initiative on system market power mitigation. DMM believes that it may be appropriate to develop different bidding limits

¹ *FERC Order 831 – Import Bidding and Market Parameters Draft Final Proposal*, California ISO, April 23, 2020: <http://www.caiso.com/InitiativeDocuments/DraftFinalProposal-FERCOrder831-ImportBidding-MarketParameters.pdf>

for resource adequacy imports in the context of these broader initiatives based on considerations of potential market power and resource adequacy policy design.

Finally, DMM pointed out on a stakeholder call that the ISO's proposal could inadvertently lower the penalty price below \$1,000 in some cases. It is our understanding that the ISO is developing a fix to ensure that penalty prices are not inadvertently set below the current \$1,000 penalty price.