

California Community Choice Association

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Contact

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1. Please provide a summary of your organization's general comments on the issue paper, including how the CAISO should prioritize the proposed issues in scope.

The California Community Choice Association (CalCCA) understands the CAISO's desire to ensure the market sends the right price signals during periods of scarcity and supports a robust market power mitigation design that prevents the exercise of market power on both the system and local level. At this point, more information is needed before determining that current scarcity pricing mechanisms are insufficient to incent resource availability during scarce system conditions. Fast-start pricing seems superfluous considering existing ancillary service and flexible ramping products, especially considering resources are already compensated for their start-up and commitment costs outside of the locational marginal price (LMP). In addition, examples and data around the amount uneconomic storage dispatch are cause for further investigation, but careful consideration must be made before advancing any of the proposals discussed thus far. Finally, CalCCA strongly supports further development of a system market power mitigation mechanism that applies to the CAISO balancing authority area (BAA) and Western Energy Imbalance Market (WEIM)/future Extended Day-Ahead Market (EDAM) BAAs.

In summary:

- The CAISO should provide more information to demonstrate current scarcity pricing mechanisms are insufficient to incent resource availability during scarce system conditions;
- The CAISO should not propose fast-start pricing given its impacts on existing market products such as the flexible ramping product and the fact that the CAISO covers generators' start-up costs outside of the LMP;
- The CAISO should further explore the root causes of uneconomic storage dispatch before committing to any of the proposed changes discussed in this context to date; and
- The CAISO should further develop the proposed grouping approach to system market power mitigation in the straw proposal.

2. Please provide your organization's comments to the issues raised on scarcity pricing enhancements and feedback the CAISO should consider in preparation for the straw proposal.

It is not clear that current scarcity pricing mechanisms are insufficient to incent resource availability during scarce system conditions. In the straw proposal, the CAISO should provide specific information regarding how modifications to scarcity pricing would enhance reliability while avoiding adverse market impacts such as withholding to activate scarcity pricing. Any scarcity pricing proposals advanced in the straw proposal must be carefully designed to not encourage withholding supply to trigger scarcity

pricing. Further, any scarcity pricing proposal must be tied to a robust system market power mitigation proposal to protect consumers from the exertion of market power.

3. Please provide your organization's comments to the issues raised on fast-start pricing and feedback the CAISO should consider in preparation for the straw proposal.

CalCCA does not support including fast start pricing within the scope of this initiative. The CAISO market is uniquely situated to incent and compensate resources that provide the operational attributes necessary to reliably meet flexible ramping needs, making fast-start pricing superfluous. The flexible resource adequacy program requires load serving entities (LSEs) to conduct advanced procurement of resources with operational attributes needed to meet ramping needs. In addition, the flexible ramping product compensates resources for providing flexible ramping capability needed to address changes in forecasted net load and uncertainty in the real-time market. Finally, the CAISO compensates resources for their start-up and commitment costs outside of the market, rather than including such costs in the LMP, so that resources fully recover their marginal costs.

The CAISO and the Department of Market Monitoring (DMM) raised a series of concerns with fast start pricing within the Federal Energy Regulatory Commission (FERC) Notice of Proposed Rulemaking (NOPR) in Docket RM17-3. These concerns include that fast start pricing would undermine the CAISO's efforts to procure flexible resources in real-time, result in infeasible dispatches, and weaken price signals to provide ramping capability when coupled with the flexible ramping product. These concerns remain relevant, and the CAISO should not abandon them in favor of implementing an unnecessary pricing structure.

4. Please provide your organization's comments to the issues raised on the real-time market's multi-interval optimization, focusing on interaction with energy storage resources, and related changes to real-time bid cost recovery, and feedback the CAISO should consider in preparation for the straw proposal.

The CAISO should include the multi-interval optimization's interaction with storage resources in scope of the Price Formation Enhancements initiative to further examine instances of uneconomic storage dispatches. The CAISO and stakeholders must cautiously consider the proposed solutions discussed thus far and the potential impacts of such proposals.

The presentation by Rev Renewables at the June 9, 2022 workshop provides an example of the CAISO market dispatching storage resources uneconomically.^[1] The example in Rev Renewables' presentation shows a storage resource discharging at prices above \$900 per megawatt-hour (MWh) at the beginning of hour ending (HE) 9. Despite having additional state-of-charge available at the end of HE 9, the resource receives a charge instruction when prices were still high, above \$500 per MWh, and a subsequent discharge instruction once prices decrease to \$35 per MWh.

This initiative should explore the root causes of uneconomic dispatches, such as the one described in Rev Renewables' example, before making a determination on the best path forward. Rev Renewables' example shows high prices early in the morning (HE 9) when prices typically would not reach the \$900 per MWh level under normal conditions. This may signal that there was a localized transmission issue resulting in unexpectedly high prices at that time. The market would not capture unpredictable system conditions such as these in the advisory prices. Alternatively, uneconomic dispatches such as those presented by Rev Renewables could result from systemically inaccurate advisory prices. The CAISO's presentation at the October 1, 2021 Market Surveillance Committee (MSC) meeting demonstrates storage resources are dispatched out of merit up to roughly 20 percent of the time in some months.^[2] If these dispatches are primarily driven by systemically inaccurate advisory prices, efforts to improve the accuracy of these prices would be the best path forward.

CalCCA cautions against proposals that jump to removing the multi-interval optimization or removing storage resources from the multi-interval optimization. Removing storage resources from the multi-interval optimization could cause more harm than good, in terms of both reliability and economic efficiency, because the market would not position resources accounting for anticipated prices later in the day. Modifications to bid cost recovery may be an alternative to modifying the multi-interval optimization. However, this change could have significant cost implications and the CAISO and stakeholders should carefully consider the impacts of such a change before moving forward. Any proposed changes to resolve uneconomic storage dispatches should be advanced after more information is revealed regarding the root causes of the uneconomic dispatches.

[1] <http://www.aiso.com/InitiativeDocuments/RevRenewablesPresentation-PriceFormationEnhancements-June9-2022.pdf>

[2] See slide 12 at http://www.aiso.com/Documents/EnergyStorageEnhancementsMIO-Presentation-Oct1_2021.pdf.

5. Please provide your organization's comments to the issues raised on the market power mitigation grouping methodology and feedback the CAISO should consider in preparation for the straw proposal.

CalCCA strongly supports including system market power mitigation in the scope of this initiative. The CAISO should develop a system-level market power mitigation methodology that applies to both the CAISO and other BAAs participating in the WEIM or future EDAM. The grouping approach described in the issue paper has merit and warrants further development. In the straw proposal, the CAISO should provide an assessment of different groupings of BAAs to determine the groups that need to be tested under system market power mitigation to ensure the CAISO's methodology captures all instances when groups could exercise market power.

6. Provide any additional comments on the issue paper, or any additional scope items your organization feels should be included for this initiative. You may upload examples and data using the “attachments” field below:

CalCCA has no additional comments at this time.