

# California Community Choice Association

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## Contact

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## 1. Please provide your organization's feedback on Working Group Session 8 (covering SH requested data analysis, overview of the BAA grouping concept, and draft problem statements) and the general direction of the BAA-Level MPM discussion.

The California Community Choice Association (CalCCA) appreciates the opportunity to comment on the Price Formation Enhancements Working Group 8 on Balancing Authority Area-Level Market Power Mitigation (WG). During the WG, the Department of Market Monitoring (DMM) provided insightful analysis on how often supply is subject to mitigation, how often supply is mitigated, and how much supply is potentially increased due to mitigation.

Following DMM's presentation of analysis, the California Independent System Operator Corporation (CAISO) presented the balancing authority areas (BAA) Grouping market power mitigation (MPM) concept. Subject to further details to be worked out in the proposal development phase, CalCCA supports the BAA Grouping MPM concept. The BAA Grouping MPM concept presented by the CAISO treats the CAISO BAA like any other BAA, meaning the CAISO would not assume the CAISO BAA to be competitive and the CAISO would evaluate the CAISO BAA for competitiveness in the grouping methodology like all other BAAs. CalCCA supports this treatment. The DMM's annual report consistently shows there are hours when the CAISO market is not structurally competitive.<sup>[1]</sup> If there are hours that are not structurally competitive, the CAISO should have a mechanism to mitigate against the exercise of market power. MPM is set up to mitigate only those uncompetitive hours, not every hour, so there is little risk of over-mitigation by including the CAISO in BAA-level MPM. It also only mitigates bids that are above the resources' default energy bids (DEB) or the competitive locational marginal price (LMP). DEBs ensure that the mitigated resources still recover their costs. At worst, the mitigated bid will cover all costs of providing the energy in the market and if the market clearing price is higher, the resources will still receive the market rents. For these reasons, the CAISO should include the CAISO BAA in the BAA-level MPM approach developed in this initiative.

The CAISO asks stakeholders to weigh in on questions related to the BAA-level MPM design, including:

- Intertie bids are not subject to mitigation. Should the CAISO include supply counterflow (SCF) from intertie resources in pivotal supply determination?
  - **CalCCA Response:** Yes, the CAISO should include SCF from intertie resources in the pivotal supplier determination. Import supply has the potential to exert market power if it is pivotal, just like internal supply can. All potential pivotal suppliers should be included in the calculation.
- Should the CAISO include SCF only from supply in excess of scheduled load for scheduling coordinator (SC) affiliates in pivotal supply determination?
  - **CalCCA Response:** Yes, it is reasonable to assume entities would use their own supply to serve their load first before offering it to the market and, therefore, it is likely only the net supply that would be subject to the potential exertion of market power.
- Should the CAISO only mitigate bids from pivotal suppliers?
  - **CalCCA Response:** The CAISO should evaluate whether only mitigating bids from pivotal suppliers will result in a market power mitigation mechanism that ensures competitive outcomes. If the CAISO only mitigates pivotal suppliers, could the CAISO risk creating additional pivotal suppliers that go unmitigated? This will depend on how competitive the market is beyond the three pivotal suppliers (or the three highest pivotal suppliers and any supplier replacing the 3rd while RSI<1). The CAISO should explore further whether only mitigating bids from pivotal suppliers will ensure just and reasonable rates.

[1] 2022 Annual Report on Market Issues and Performance at 55: <http://www.caiso.com/Documents/2022-Annual-Report-on-Market-Issues-and-Performance-Jul-11-2023.pdf>.

**2. Does your organization have any technical feedback on the topics discussed in the WG Session 8?**

CalCCA has no comments at this time.

**3. Is there additional information that would be helpful for your organization to understand the topic/issues better?**

CalCCA has no comments at this time.

**4. Please provide any additional feedback.**

CalCCA has no comments at this time.