# California Community Choice Association

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**Contact**
Shawn-Dai Linderman (shawndai@cal-cca.org)

## 1. Please provide your organization's perspective on what the objective of the market design for summer 2024 should be.

Problem Statement and market design objective: During the 4/23 working group, stakeholders provided their perspectives around limitations on certain resources bidding above the soft offer cap and what market design changes broadly supported by stakeholders could address bidding limitations. For example, some stakeholders support an approach that ensures resources can protect state of charge during any hour of the day, while other stakeholders support an approach to more accurately capture opportunity costs.

The California Community Choice Association (CalCCA) appreciates the California Independent System Operator's (CAISO) expediency in addressing the rules for bidding above the soft offer cap for summer 2024. A solution that will allow bids to capture resources' opportunity costs more accurately will allow for both the resources' recovery of costs ***and*** improved reliability by ensuring state-of-charge is preserved for times when the resources are most needed. Both objectives can and should be met by allowing all resources with intra-day opportunity costs to better reflect those costs in their bids. A market-based solution is better suited for addressing cost recovery and reliability than a manual solution like exceptional dispatch. Before committing to implementing a new market design that would allow resources with intra-day opportunity costs to bid above the soft-offer cap by summer 2024, however, the CAISO must further explore any unintended consequences associated with pursuing an expedited solution. Such unintended consequences were raised during the Market Surveillance Committee (MSC) meeting on April 24, 2024, but were not fully explored.

Should the CAISO, with input from the MSC, come to the conclusion that the CAISO can implement a solution with minimal unintended consequences, CalCCA supports the CAISO moving forward with Approach 1 for summer 2024 and recommends that the CAISO pursue a market design that resembles Option C. Option C would allow the default energy bid (DEB) to rise above $1000 per megawatt-hour (MWh) and allow bids to rise above $1,000 per MWh up to the higher of the maximum import bid price (MIBP) or the highest cost verified bid for the hour. Option C is preferred over Option B, which would allow bids to rise to the highest day-ahead marginal energy cost rather than the MIBP. System conditions can change between day-ahead and real-time, so it is possible that day-ahead prices are not good reflectors of real-time prices (e.g., if there is a transmission failure between day-ahead and real-time, a resource that was not behind a constraint in day-ahead may be behind a constraint in real-time).

## 2. Please provide your organizations feedback on each of the proposals under Approach 1—A, B, C, and D.

CalCCA has no additional comments at this time.

## 3. The ISO is seeking feedback from stakeholders to understand the intended effect of the proposed modifications.

Triggering the bid cap and penalty pricing: Today, one of two conditions must be met to raise the energy bid cap to $2,000/MWh: 1. The market accepts a bid above $1,000/MWh from a resource-specific resource, or 2. The allowable MIBP goes above $1,000/MWh Today, the tariff requires resource-specific resources to successfully cost-verify an adjusted DEB through the reference level change request (RLCR) process in order to bid above $1,000/MWh. From a systems perspective, any bid above $1,000/MWh from a resource specific resource would fulfill the condition to change the energy bid cap. However, the market only clears resource-specific resource bids above $1,000/MWh that have been successfully verified through the RLCR process because that is the only way for resource-specific resources to reflect a bid above $1,000/MWh in the market today. When the bid cap goes up, a set of penalty price parameters are doubled so that priorities are preserved. If the bid cap is raised in

any hour of the day-ahead market, the penalty prices will be scaled up for all trading hours of the day-ahead market and real-time market for the same trading day. If the bid cap is not raised in any hour of the day-ahead market, but the conditions apply to raise the bid cap in hours of the real-time market, the real-time market will use the scaled up penalty price for all intervals of overlapping real-time market horizons. Stakeholder proposals being considered would allow resource-specific resources to bid above $1,000/MWh without using the RLCR process. Any bid above $1,000/MWh from a resource specific resource as a result of these proposals would be considered 'cost-verified' by ISO system logic for the purposes of raising the energy bid cap and scaling penalty prices, and informing the logic that applies to unspecified imports that are RA.

CalCCA has no additional comments at this time.

### 4. Please provide your perspective on the following questions:

1. Do you consider bids above $1,000/MWh but within the range of an uncapped DEB value to be cost-verified? Do you consider these bids to be "cost-verified" for the purpose of informing the logic that applies to non-resource-specific imports that are RA to bid up to the higher of MIBP and highest cost-verified bid? Do you consider these bids to be "cost-verified" for the purpose of informing the stakeholder proposed logic allowing resource-specific battery storage and hydro bids to bid to the higher of the maximum import bid price (MIBP) and highest cost-verified bid?

CalCCA has no additional comments at this time.

### 5. Please provide your perspective on the following questions:

2. Do you consider bids above $1,000/MWh and above a DEB value to be considered cost-verified? Do you consider these bids to be "cost-verified" for the purpose of informing the logic that applies to non-resource-specific imports that are RA to bid up to the higher of MIBP and highest cost-verified bid? Do you consider these bids to be "cost-verified" for the purpose of informing the stakeholder proposed logic allowing resource-specific battery storage and hydro bids to bid to the higher of the MIBP and highest cost-verified bid?

CalCCA has no additional comments at this time.

### 6. Please comment on whether bid cap changes discussed here should apply to all resources, or only a subset.

Today, the ISO applies similar bid caps to all resources, with the exception of those capped by the MIBP, RDRR, virtual supply and other resources exempt from the soft offer cap. The ISO is considering Identifying a subset by default energy bid calculation (e.g. hydro DEB, storage DEB, or negotiated DEBs with an opportunity cost component), targeted to those resources identified as having short-term opportunity costs.

CalCCA has no additional comments at this time.

### 7. Please provide your organization's feedback on the 831 data analysis presented.

CalCCA has no additional comments at this time.

### 8. Do you have any additional questions on the topic that would help with continued policy development discussions?

CalCCA has no additional comments at this time.

### 9. Please provide any additional feedback.

CalCCA has no additional comments at this time.