



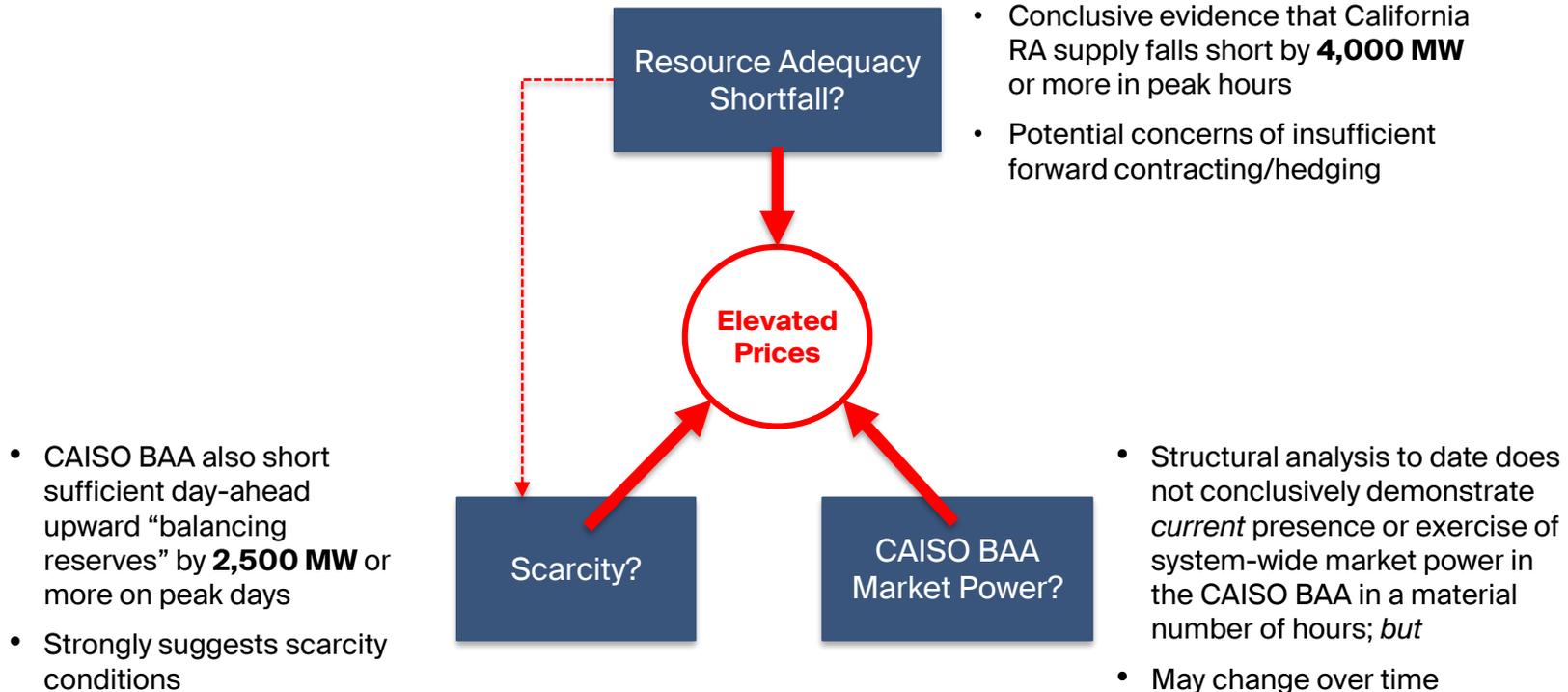
August 27, 2019

Jeff Spires

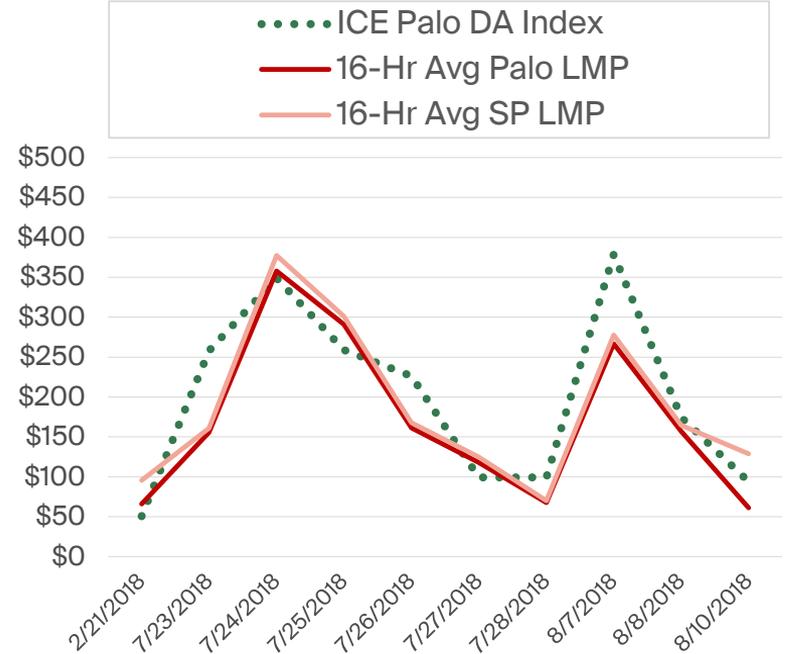
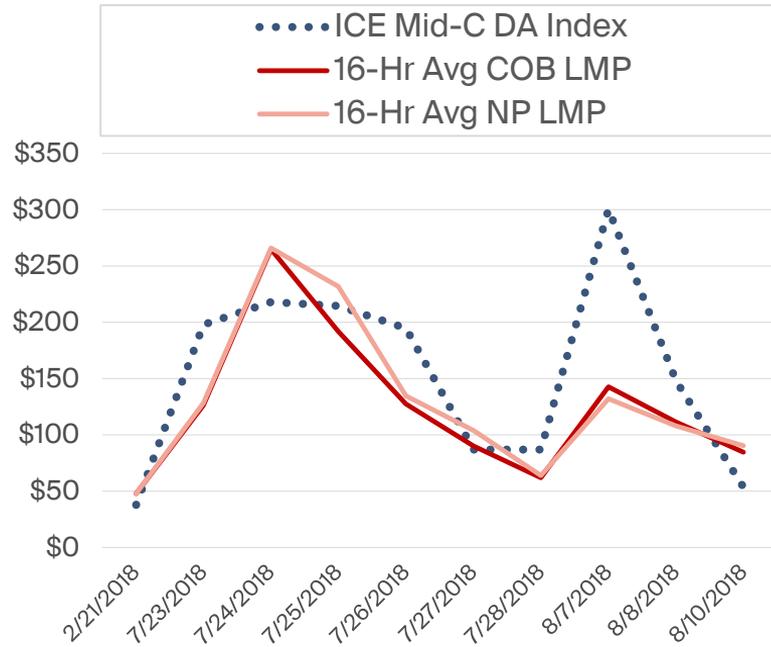
# System Market Power in the CAISO BAA EIM Regional Issues Forum Meeting

Supply. Flexibility. Commitment.

# Elevated Prices Can Be An Indicator Of Different Challenges (With Different Solutions)

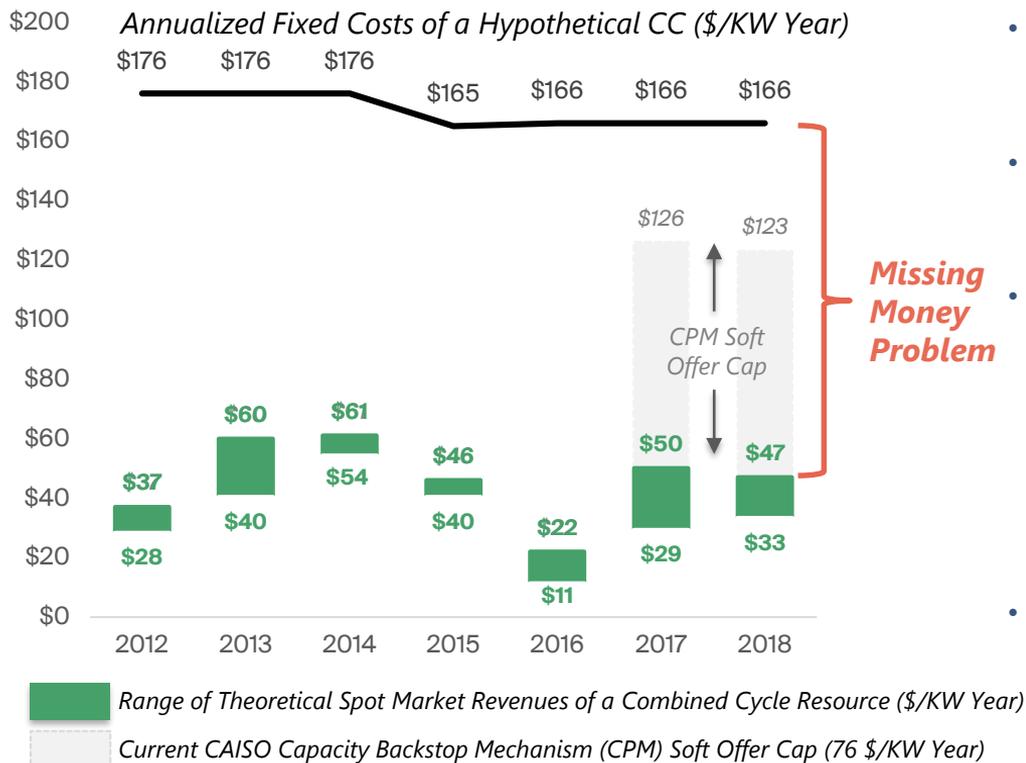


# CAISO Day-Ahead LMPs Consistent with External Bilateral Prices Reflects Competitive Outcomes



Dates correspond to days evaluated in Dr. Harvey's presentation at August 19, 2019 MSC Meeting (slides 17, 33). Day-ahead bilateral market liquidity focused on standard 16-hour HLH (and 8-hour LLH) blocks. Charts show price comparison to CAISO DAM prices over the same corresponding hours.

# Re-Thinking Competitive Outcomes When New Supply Is Needed



- Narrow focus to date on risk of elevated spot prices in some hours
- Overall, energy market revenues in California are far below levels to support new supply
- Discussion of methods to prevent/mitigate market power should be balanced with broader examination of efficient market outcomes to avoid:
  - making “missing money problem” even worse
  - paying for the wrong resources/attributes
  - indirectly increasing costs to RA program
- Consider improving scarcity pricing in tandem with improved market power mitigation for CAISO BAA?

# How To Address Broader CAISO Market Power Concern (If It Arises)?

Topic	Challenges of “System” MPM	Potential for a BAA-Level Mitigation Approach for CAISO BAA
What specific circumstances raise a market power concern?	<ul style="list-style-type: none"> <li>RSI trigger; metric ignores <i>potential</i> external supply that <i>could be</i> offered to CAISO</li> </ul>	<ul style="list-style-type: none"> <li>CAISO BAA (or NP, SP) is import constrained and 3 pivotal supplier test fails</li> </ul>
What resources would be mitigated?	<ul style="list-style-type: none"> <li>Mitigation applies to offers inside and <i>outside CAISO BAA</i></li> </ul>	<ul style="list-style-type: none"> <li>Mitigation only applies to resources within constrained BAA (similar to EIM approach)</li> </ul>
What effect on external voluntary supply?	<ul style="list-style-type: none"> <li>Discourages voluntary supply from external resources</li> </ul>	<ul style="list-style-type: none"> <li>Allows CAISO prices to appropriately rise when necessary to compete for additional external supply</li> </ul>
What is the geographic extent of CAISO’s mitigation?	<ul style="list-style-type: none"> <li>Effectively leads to CAISO mitigation of supply from any resource <b><u>across the WECC</u></b></li> </ul>	<ul style="list-style-type: none"> <li>Mitigation limited to the resources inside the CAISO BAA (as only those resources can relieve import constraint)</li> </ul>



# Thank You

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