



California ISO

EIM Mitigation Discussion

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Market Surveillance Committee Meeting

General Session

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Mitigation and default energy bids in the EIM

1. Do we need to refine how/when we mitigate?
2. Are there improvements that we could make to mitigation?
3. What values should we mitigate to?
 - Review current 'index' methodology
4. Do DEBs need to represent opportunity costs?
 - Are hydro opportunity costs possible to calculate in practice

Do we need to change how and when mitigation occurs, particularly with hydro resources in EIM?

- Mitigation is the tool that the ISO uses to prevent the exercise of market power
 - Congestion may allow resources to arbitrarily increase prices
 - Resources with market power have bids mitigated to the higher of the competitive LMP and the resource's default energy bid
 - This limits prices to a competitive level and prevents a resource from setting
- Is mitigation fundamentally different in EIM compared to the ISO?
 - EIM is a voluntary market. Does this change the way that resources in the market should be mitigated?
- Should mitigation be different for EIM hydro resources than other resources?

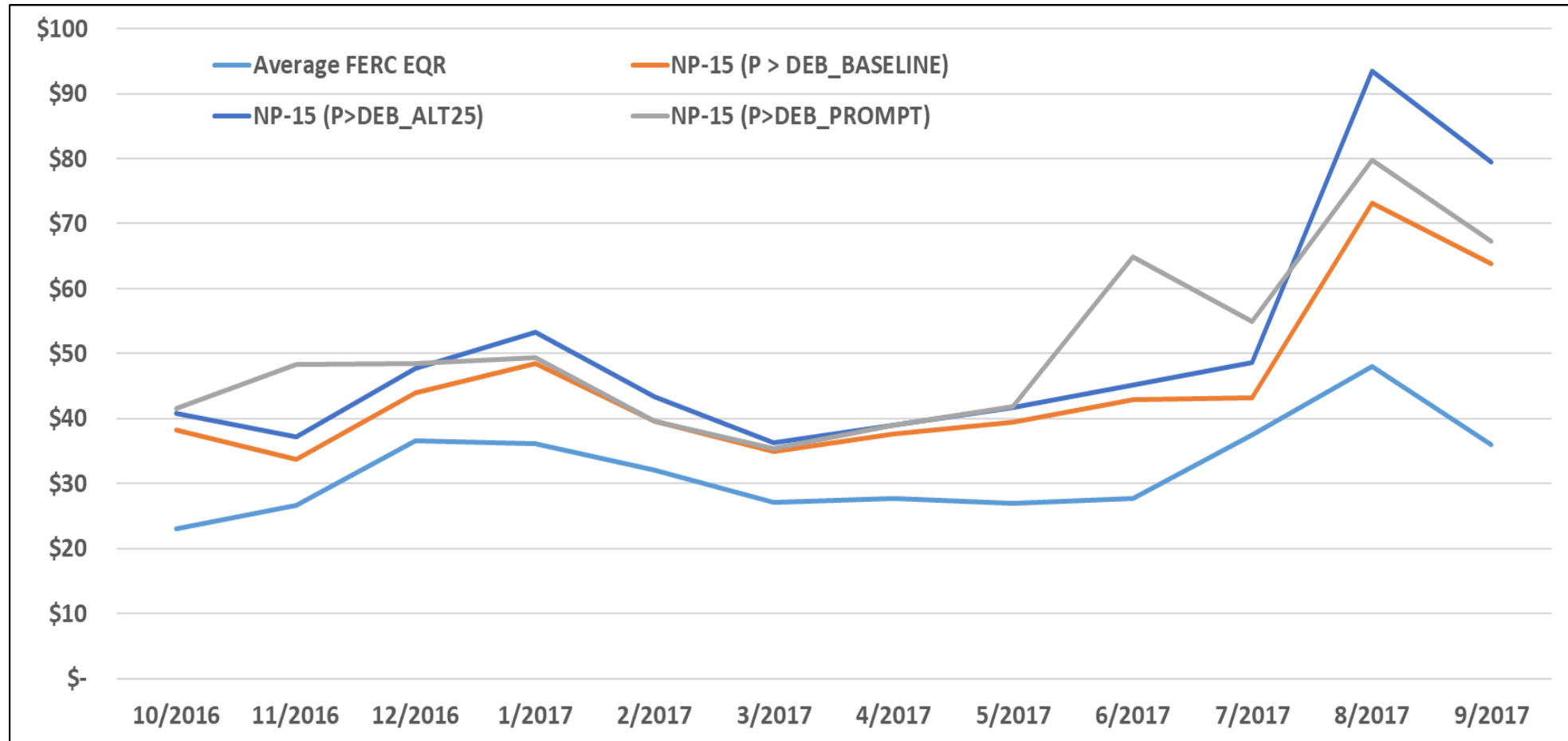
In the July 19 EIM Offer Rules Workshop the ISO laid out five potential improvements that would be considered in a policy initiative.

1. Remainder of hour application
2. Mitigation for 5-minute intervals, when mitigated during corresponding 15-minute interval
3. Upper bound on mitigation price for the hour
4. Mitigation measures for BAAs that serve no third-party load
5. Potential different mitigation framework (i.e. conduct and impact test)
6. Potential new default energy bid available for EIM hydro resources

Do DEBs need to represent opportunity costs?

- Powerex has posited that hydro opportunity costs are extremely complicated to calculate, and can change from hour to hour during the day
- Is there an acceptable alternative DEB that could work for EIM hydro resources?
- Powerex requested that the ISO create a new default energy bid (DEB) similar to those that can be elected in master file
 - Powerex outlined a methodology using the Mid-Columbia indices (both day-ahead and monthly futures values)
 - The proposed DEB was designed to exceed EQR transaction data during more than 95 percent of intervals
- The ISO did a similar analysis and showed that even modest premiums on bilateral prices were sufficient to ensure average prices were above weighted average EQR prices

Average prices when bidding in at the three potential DEBs in the ISO (NP15) compared to weighted average EQR transactions



Percentage of intervals a unit would be dispatched if bid in at the three potential DEBs given ISO (NP-15) prices

