Phase 2 Changes to Bidding Start-Up & Minimum Load

Stakeholder Conference Call
July 30, 2009

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Phase 1 of this effort made interim changes to SU and ML bidding.

- Changed the restriction on updating the registered-cost value or opting for the proxy-cost option
  - Now allowable every 30 days, instead of once each 6 months

- Changed the bid cap on registered SU and ML costs
  - Lowered the cap from 400% of proxy cost option to 200%

- Changed the calculation of the fuel-cost component
  - Now based on a 1 month future price, instead of 6 months
In Phase 2, the ISO proposes daily bidding and dynamic bid mitigation.

- Enable more frequent bidding of SU and ML
  - Modify SIBR to allow daily bidding
  - Master File values will be inserted if no daily bid is placed
  - MF values are static for 6 months to ease administrative burden

- Implement dynamic mitigation of SU and ML bids
  - Bid caps on SU and ML will be removed
  - A unit subject to LMPM will also have its SU/ML bid mitigated
  - SU and ML bids will be mitigated down to default values
In Phase 2, the ISO proposes to establish an O&M component of SU and ML costs.

- Incorporate an O&M component into the cost-based option
  - Intended to capture wear and tear, and opportunity costs associated with limited starts and/or emissions restrictions
  - Fixed for 6 months
  - ISO is seeking input on projected O&M costs
  - If a unit is subject to LMPM, O&M costs will likely be mitigated
The ISO would appreciate feedback from stakeholders.

- Does daily (as opposed to hourly) bidding of SU and ML meet your needs?

- Would you rather have capped O&M costs that could be updated more frequently?

- What is the expected resource-level magnitude of O&M costs? *(confidential!)*
Next steps...

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<td>Presentation to stakeholders and the MSC</td>
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<td>June 24, 2009</td>
<td>Stakeholder comments due</td>
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<td>July 20, 2009</td>
<td><strong>Short-term</strong> proposal to BOG for approval</td>
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<td>July 23, 2009</td>
<td>Revised proposal including stakeholder and MSC comments posted</td>
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Questions, Comments, Concerns & Compliments…

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