



California ISO

Scarcity pricing discussion

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Market Surveillance Committee Meeting

General Session

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ISO is planning a scarcity pricing initiative in 2021 in response to Summer 2020 tight supply conditions

- Existing scarcity pricing mechanisms increase energy and reserve prices when there are not enough bids to meet both energy demand and reserve requirements
- Goal of the initiative is to improve market's scarcity pricing provisions for efficient market pricing during tight supply conditions
- Explore mechanisms to ensure real-time prices incentivize accurate day-ahead scheduling and bidding that aligns with operational needs during tight supply conditions
 - Proper incentives for load and convergence bidders
 - Issues with demand response dispatch
 - Price mechanism where prices increase before shortage condition