[Note that this write up incorporates a somewhat broader discussion of two work group issues, as discussion of the Bilateral Contract issue suggested that the issue was interrelated with workgroup Issue 1.]

Reference: Issues 1 and 3 of Competitive Path Work Groups

- Issue 1: Is the pivotal analysis based on the supplier resource owners or the SCs? For example a supplier’s portfolio with portions scheduled by different SCs, or a SC that is scheduling generation belonging to different generation owners.
- Issue 3: How will bilateral contracts be treated in the pivotal supplier analysis?

Summary Discussion: This draft paper discusses the merits of treatment of ownership and controlling party of generating resources in California as they relate to the determination of competitive paths. The paper presents options, pros, cons and a proposed approach. The underlying issue relates to attribution of generation output to parties and the resulting impact that the determination has on competitive path analysis.

Options: The table below indicates the range of options for treatment of generating output controlled by parties and the pros and cons of each approach.

<table>
<thead>
<tr>
<th>#</th>
<th>SC or Owner as “Starting Point”?</th>
<th>Treatment of contractual party involvement?</th>
<th>Advantages</th>
<th>Disadvantages</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>SC</td>
<td>None</td>
<td>Simple</td>
<td>Mis-represents controlling party share, producing skewed results</td>
</tr>
<tr>
<td>2</td>
<td>Owner</td>
<td>None</td>
<td>Improved representation of ownership relative to SC starting point; Does not require treatment of contractual control</td>
<td>Would tend to overstate concentration with owners given that bilateral obligations exist to third parties</td>
</tr>
<tr>
<td>3</td>
<td>SC</td>
<td>Assign control of generation output associated with contractual assignment of control, as well as fixed price</td>
<td>Does not require consideration of “ownership”. Will incorrectly overstate an SC’s ability to exercise market power given</td>
<td>Likely requires involvement of owners to collect third party contractual obligations. Does require collection of information about output controlled by</td>
</tr>
</tbody>
</table>
**Recommended Straw Approach and Further Details:**

The straw recommendation is to pursue a hybrid approach, effectively combining Option 3 and Option 4 (from above) provides a reasonable level of information about parties that control the generating resource output. The high-level approach would be as follows:

- ISO continues to look to SCs as agents of owners of generating units;
- However, ISO recognizes that units may have multiple owners and bilateral arrangements
- To the extent the owners nominate through their SCs ownership fractions, the ISO uses as a starting point owning parties of generating resources. Otherwise the ISO attributes the ownership to the SC.¹
- ISO confidentially solicits from SCs (acting on behalf of owners) owners’ information about third party control of generating resources of the following nature:
  - Third parties that have contractual rights to determine how part of a generator’s output is bid or dispatched
  - Third parties who have fixed price energy contracts and take delivery at the generating node of the unit
- Generation owners will have an incentive to share to the extent practicable the third-party obligations as stated above as this would assist in determining the competitiveness of the paths which their generation affects;
- ISO develops captures fractional or MW output control of each generating resource.²

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1 This approach is intended to capture the accuracies of multiple ownership when it is important to do so, yet provide a balance that continues to take advantage of the ISO-SC relationship.
2 The ISO expressed a concern that it may be difficult to determine which fraction of which resource to assign to each owner or controlling party. This may make a difference depending on the heat rate curve of the unit. It is not believed at this time that this issue would have a significant impact, and it is recommended that the ISO develop some simple rule to assign the capacity to owner, or controlling, parties.