

Decision on Bid Caps for Start-Up and Minimum Load Bids under MRTU



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Your Link to Power

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Background

- 🌐 **MRTU tariff provides two options for start-up and minimum load bids:**
 - Cost-based
 - Updated based on daily spot market gas prices
 - Bid-based
 - Fixed for 6-month period
- 🌐 **The lack of any limit on start-up and minimum load bids may undermine MRTU Local Market Power Mitigation provisions**
- 🌐 **In 2006, this was identified as a gap in MRTU rules that would be addressed through a tariff filing**

Proposed Tariff Changes

Bid Caps Levels

- Bids limited to 200% of projected costs for units in Local Capacity Areas (LCAs).
- Bids limited to 400% of projected costs for all other units.

Provisions for Gas Price Increases

- Caps based on NYMEX futures prices for monthly gas contracts over six month period for which bid is submitted.
- If daily spot market prices subsequently increase so that a unit's actual costs exceeds its bid, the unit may switch to cost-based option.
- Unit must then remain on cost-based option for remainder of 6-month period.

Comparison with Other ISOs

PJM

- Offers 6-month bid-based option, but mitigates all bids to cost-based level when units are dispatched to meet uncompetitive transmission constraints

New York, New England, MISO

- Use two-part *conduct* and *impact tests* in mitigation
- Thresholds used in *impact test*:
 - 150% to 200% above cost in constrained areas
 - 200% to 300% above cost in un-constrained areas

CAISO Proposal

- Offers comparable level of mitigation to that of other ISOs
- Can be implemented without software changes that would be needed to implement more dynamic approach at other ISOs

Stakeholder Comments

- 🌐 CAISO proposal generally supported by LSEs, CPUC and CDWR
 - PG&E, SCE and CDWR have suggested that somewhat stricter limitations might be appropriate
 - Support placing high priority on implementing more dynamic mitigation approach as part of future MRTU release
- 🌐 Several representatives of generation owners offered comments suggesting any caps should be relatively high “damage control” levels.
- 🌐 Generators’ concerns about potential gas price risk was addressed by adding provision to allow switch back to cost-based option.