



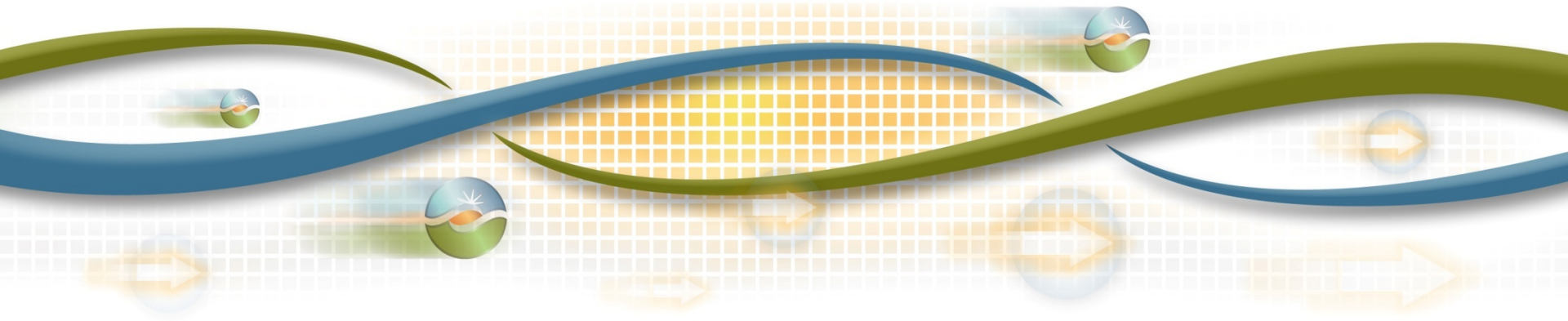
# Bidding rules discussion

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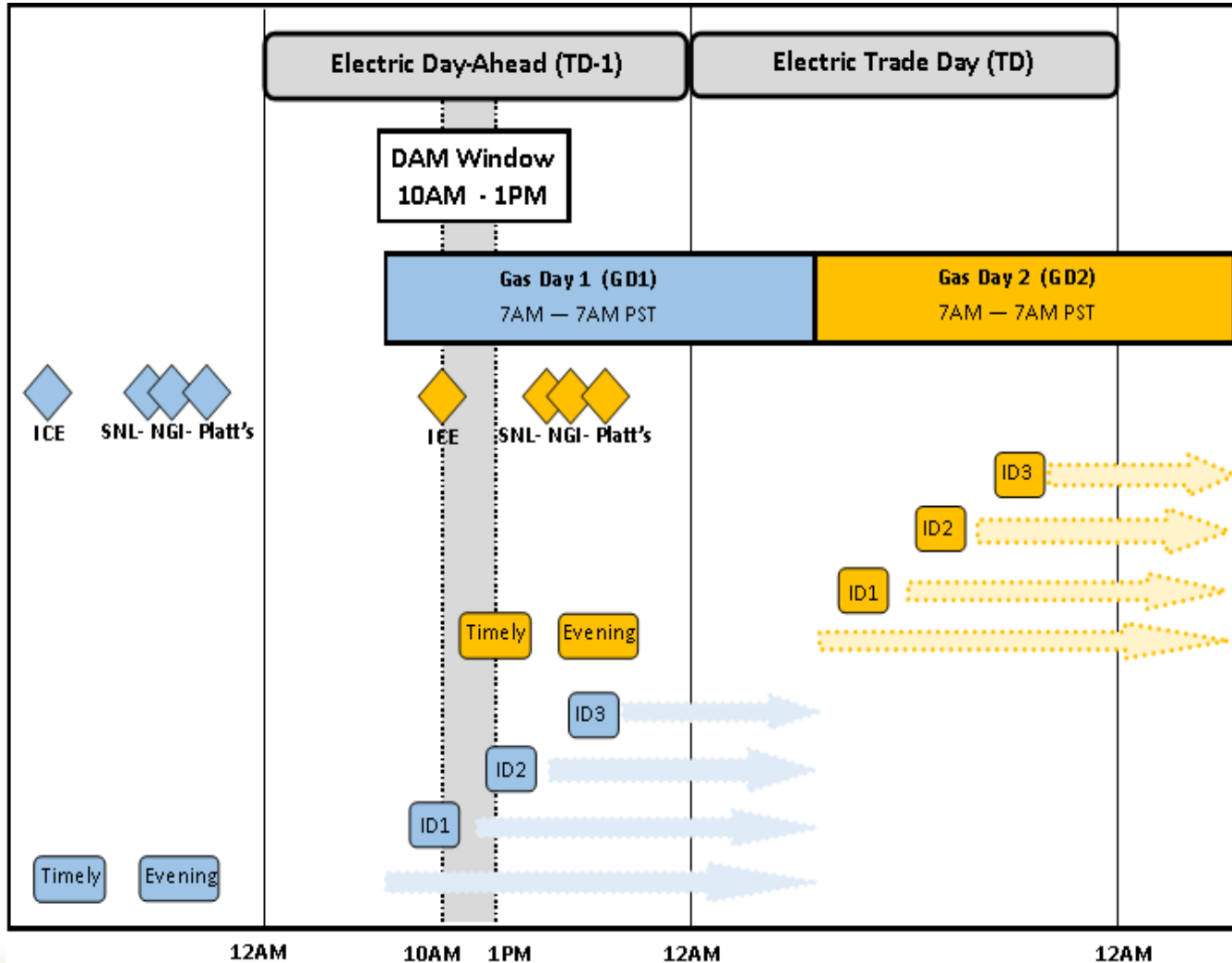


# Bidding Rules Enhancements

- The ISO explored impact triggered market power mitigation methods for commitment cost compared to its current bid cap method and found:
  - Resources that would benefit from increased flexibility (e.g. MOC) would be mitigated to their proxy costs forgoing 25% headroom.
  - Dynamic impact based mitigation would not be feasible and an after-the-fact process would allow market power to influence the market solution.
  - DMM's analysis supports 25% headroom of the bid cap method allows for sufficient cost recovery in most instances and for extreme events an after-the-fact recovery is proposed.
- Since the ISO found its bid cap method provides the most benefit for cost recovery, the ISO proposes improvements to its cost parameters to further strengthen this method.
- The ISO explored and proposes solutions to market inefficiencies resulting from inaccurate modelling of costs resulting in potential miss-valuing of resources.

# ISO's Proxy Cost Calculations

# How to improve gas commodity price information in the GPI for the electric trade day?



Source	Earliest Time Available (PST)
ICE	10:00 AM
SNL Energy /BTU Daily	16:00 PM
NGI	19:00 PM
Platt's	17:00 PM

Nom Cycle	Nom Deadline
Timely	11:00AM
Evening	4:00PM
ID 1	8:00AM
ID 2	12:30PM
ID 3	5:00PM

# How to improve gas commodity price information in the GPI for the electric trade day?

- How should the ISO view the two gas day prices contribution to energy bid prices?
- How could the ISO best estimate the fuel cost for gas-fired resources?
- Would the benefits from using GD2 market prices outweigh the potential costs of moving the day-ahead market window?

# How to improve gas commodity price information in the GPI for the electric trade day?

- How would providing an after-the-fact recovery change the incentives for gas-fired resources when procuring fuel?
- How would the electric market be impacted by effectively making generators indifferent to fuel price?

# Commitment Cost Rebidding

# What is the appropriate balance between commitment cost rebidding and other market design elements

- The ISO needs to be able to rely on resource commitments to support system reliability through serving expected real-time load.
- The ISO finds maintaining commitment cost offers for scheduled resources allows the ISO to rely on these resources for incremental energy needed to meet load.
- The ISO is seeking MSC input as to whether allowing resources without day-ahead schedule to rebid commitment costs after day-ahead is the appropriate balance for the reliability concerns.



# Commitment Cost Mitigation

# Commitment cost mitigation – ISO's proposal

- Given the challenges with applying a conduct and impact test, or structural test, to effectively mitigate commitment costs in the California ISO markets,
- not implementing differentiated bidding headroom,
- the improvements being proposed on calculating commitment costs, and
- allowing after-the-fact recovery of extreme gas costs,
- the ISO is currently proposing to retain the current commitment cost mitigation methodology of the 125% bid cap.

# Commitment cost mitigation

- Most other ISOs have a conduct and impact test for commitment cost mitigation
- CAISO's bid cap could be thought of as a conduct and impact test without the impact test to trigger mitigation.
  - How would the ISO effectively implement an impact test?
  - Potential triggers include changes to energy LMPs, BCR payments, or combination thereof.
- In the ISO markets, commitment costs are not directly reflected in LMPs, therefore energy LMPs may not be an effective impact test trigger.
- BCR payments are currently calculated 3 days after the market, therefore a BCR trigger would be an after-the-fact process.

# Commitment cost mitigation

- At this point, ISO does not feel a conduct and impact tested modeled after another ISOs would be effective in our markets.
- Additional benefit from implementing a variation of a conduct and impact test over the current 125% bid cap is likely to not outweigh the costs at this point.
- ISO is seeking MSC input and/or thoughts on how a conduct and impact test may be effectively implemented in our markets.