# Bidding rules discussion

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# Several phases to initiative

| Phase | Board Target | Implementation Target |
|---|---|---|
| Phase 1: FERC Order 809: examined changes to day-ahead market timing | FERC approved ISO's proposal to not move day-ahead market | |
| Phase 2: Minimum load rerates | February – Passed | Spring 2016 |
| Phase 3: Generator commitment cost improvements | March | Fall 2016 |
| Phase 4: Resolve remaining bidding rules issues | TBD | TBD |

# Phase 3: Generator commitment cost improvements, proposed changes

- The ISO explored impact triggered market power mitigation methods for commitment cost compared to its current bid cap method:
  - 25% bid cap headroom allows for cost recovery in most instances
  - Proposing after-the-fact recovery for extreme events.
- Improvements to commitment cost bidding flexibility
  - Allow resources without day-ahead schedule to rebid commitment costs in real-time market until committed
  - Won't insert non-RA resources day-ahead bids into STUC if resource not scheduled in day-ahead and does not submit real-time bid.
- Refine gas transportation and auxiliary power costs to reflect resource-specific cost and better align ISO and EIM resources modelling

# Phase 3: Other generator commitment cost improvements considered

- Change to 125% proxy cost bid cap
  - FERC directed ISO to review whether cap should apply to whole cost estimate or apply cap that varies by cost type
  - Found current cap optimal since bid cap allows for various risks to be managed
- Change to gas price index used by market
  - Current index has mismatch with operating day
  - Improved spot price requires delaying day-ahead market
  - With FERC Order 809 April effective date, index publication timing may change after gas nomination timelines move earlier
  - Item deferred until Order 809 effective date (Phase 4)

# Changes to ISO's proposal to allow market participants opportunity to request after-the-fact reimbursement for commitment costs

- ISO continues to propose to allow market participants the opportunity to request after-the-fact recovery for commitment costs
- ISO revises proposal to extend a filing right at FERC for resources to seek recovery of incurred fuel commodity costs exceeding the commitment cost bid cap unrecovered through market revenues.
- Request FERC applies just and reasonable standard to review of resources that:
  - Incurred fuel commodity costs that exceeded the commitment cost cap, and
  - Have commitment costs (including incurred fuel costs above cost cap) that result in net market revenue shortfall as calculated through bid cost recovery

# Applicable fuel costs for after-the-fact reimbursement

- Applicable fuel commodity costs are fuel costs for fuel burned for commitment to meet an ISO instruction
- Ineligible fuel commodity costs are:
  - Non-incremental costs such as pooling arrangement costs
  - Incurred OFO penalties
  - Gas losses resulting from unprofitable trades after resources are exceptionally dispatched off
- In event FERC accepts cost recovery filing and BCR resettlement with adjusted costs results in net market revenue shortfall, ISO proposes to allocate shortfall through BCR.

# Eligibility for after-the-fact reimbursement

- FERC filing to be submitted no later than 60 days after ISO operating day gas costs incurred
- Filing must contain the following:
  - Data supporting actual applicable fuel costs for applicable operating day(s) including but not limited to invoices
  - Explanation of why actual costs exceeding the costs as reflected in commitment cost offers
  - ISO written explanation of applicable day's gas and electric events on market participant request

# Advantages of FERC review of cost recovery requests

- Introduces process with a reasonable but measurable cost of seeking recovering that:
  - Allows recovery of incurred net market revenue shortfalls
  - Does not make generators indifferent to fuel price
- Weaknesses with a pre-defined ISO process:
  - ISO cannot prescribe all circumstances recovery is appropriate
  - ISO does not have insight into hedging instruments
  - Could preclude cost recovery after consideration of all facts
- ISO finds assessment should consider all sales and purchases including hedging instruments before finding incurred fuel commodity costs exceeding cost cap

# Create flexible process for requesting new region selections in Master File fields

- ISO proposes to create flexible process for scheduling coordinators to request new fuel region values in the Master File (MF) for both ISO and EIM resources.
- ISO proposes to leverage process developed to support formation of new fuel region and extend it to the introduction of a new MF field for an auxiliary region.
- ISO will review fuel and auxiliary regions as geographically appropriate resource-specific costs supported by retail company invoices and schedules

# Costs for fuel region will differ for depending on whether generator submits GHG allowances directly

| A | B | C | D | E | F |
|---|---|---|---|---|---|
| | | | | Effective April 1, 2016 | |
| ISO's Fuel Regions | Intra-state Transporation Rates ($/therm) | AB 32 CARB Fee Credit | Cap and Trade Exemption' Credit | Effective Rate for Covered Entities | Effective Rate for Non-covered Entities |
| PGE (Backbone level rate) | 0.00915 | 0.00056 | | 0.00859 | 0.00915 |
| PGE2 (Other Customers Rate) | 0.02921 | 0.00056 | | 0.02865 | 0.02921 |
| SCE1 (<3 million therms/year) | 0.10554 | 0.0011 | *0.01932* | 0.08512 | 0.10554 |
| SCE2 (> 3 million therms/year) | 0.03688 | 0.0011 | *0.01932* | 0.01646 | 0.03688 |
| SDG&E1 (<3 million therms/year) | 0.105420 | 0.00041 | *0.02249* | 0.08252 | 0.105420 |
| SDG&E2 (> 3 million therms/year) | 0.036380 | 0.00041 | *0.02249* | 0.01348 | 0.036380 |

# Q&A