

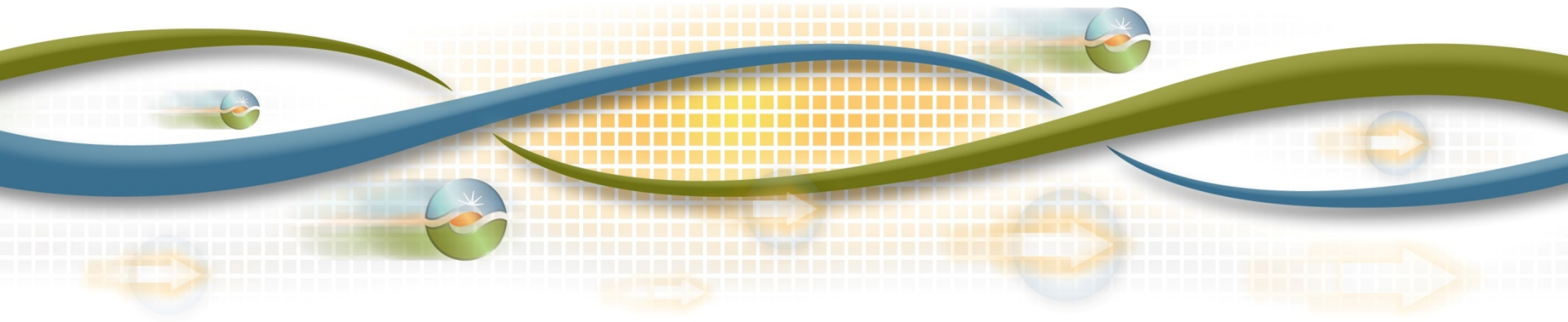
Briefing on market power mitigation in the capacity procurement mechanism

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Market Surveillance Committee

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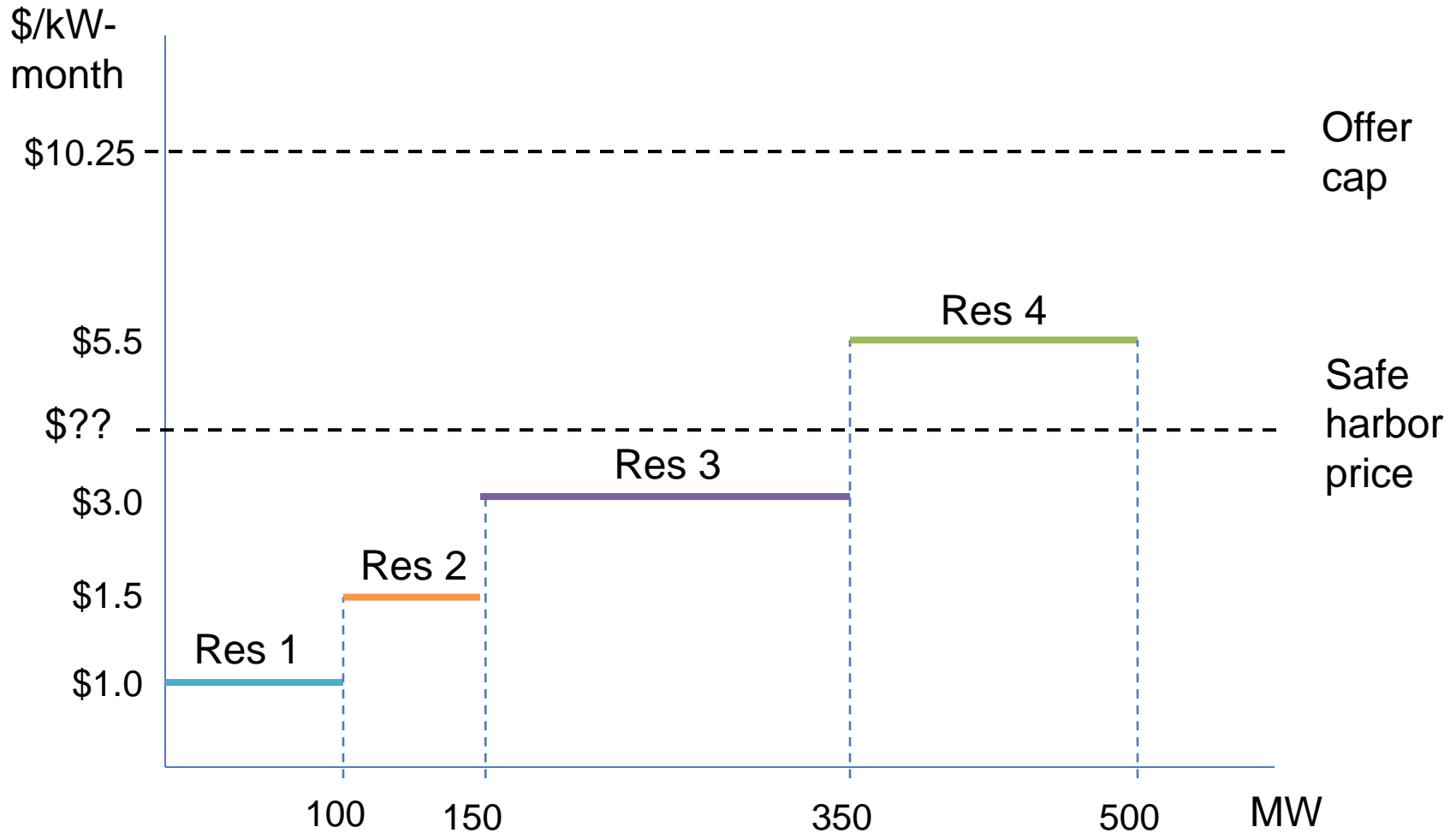
Capacity procurement mechanism replacement proposal:

- Current CPM mechanism expires in February, 2016
- Propose voluntary competitive solicitation process (CSP)
 - Annual for annual deficiencies
 - Monthly for monthly deficiencies
 - Intra-monthly for exceptional dispatch and significant events
- Non-RA capacity may be offered into any CSP
 - CSP only used in the event a CPM designation is needed
 - ISO will designate capacity based on transparent criteria
- Capacity will be paid as bid

Competitive solicitation processes

- Offer procedure
 - Offer in generic or flexible resource adequacy
 - Specific rules related to bids
- Market power mitigation
 - Offer cap
 - Limited bidding flexibility within CSP
 - Mitigation for resources that fail pivotal supplier test
- Designation criteria
 - Process for choosing resource to offer CPM designation
 - Criteria will prioritize offered capacity and only look to non-offered capacity if necessary

Market power mitigation- safe harbor price



Market power mitigation – resource specific mitigation

- Market power assessment within each process after determination of CPM need is established
- For all CPM events except exceptional dispatch and risk of retirement:
 - ISO will conduct 3-pivotal supplier test for any offers above safe harbor price
 - Any supplier shown to have market power that offers above safe harbor price will have two options.
 - Cost-justify
 - Offer the safe harbor price
 - If a supplier does not have market power, the offer would stand

Market power mitigation – resource specific mitigation

Exceptional dispatch and risk-of-retirement

- For Exceptional Dispatch:
 - ISO will not have time to assess market power
 - Any resource that is designated and has a price higher than the safe harbor price has two options
 - Cost-justify
 - Accept the safe harbor price
 - If the resource is designated and has not offered above the safe harbor price, it will be paid as bid
- For risk-of-retirement
 - Will have to cost justify if offer is above safe harbor price