Decision on ESDER Phase 4 – Default Energy Bid for Storage Resources

Greg Cook
Executive Director, Market and Infrastructure Policy

Board of Governors Meeting
General Session
December 17, 2020
Management proposes a default energy bid cost methodology for storage resources

- Market power mitigation measures applied to most resources when uncompetitive conditions are detected
  - Market power mitigation measures are not currently applied to storage resources
  - Significant amounts of storage resources are expected to interconnect to the ISO system over the next few years
  - Estimating energy bid costs for storage resources is more complex than gas and other resources

- Storage default energy bid will allow market power mitigation measures to be applied to storage resources
Management proposes a balanced methodology for estimating storage default energy bids

The proposed default energy bid approximates storage resource costs through the following components:

- Energy procurement costs
- Marginal costs to charge and discharge
- Opportunity costs (for the real-time market)

Storage resources may elect to use this default energy bid or a negotiated default energy bid
Management’s proposal includes two additional changes recommended by the Market Surveillance Committee

• Exclude opportunity costs from the day-ahead default energy bid formulation

• Exempt storage resources less than 5 MW
Stakeholders generally support the storage default energy bid proposal

- Stakeholder feedback prompted a change to ensure the estimated cost to buy energy is always positive
- Concern that the methodology may underestimate real-time opportunity and energy costs
- Concern that this methodology may not work for batteries with longer than 8 hours of duration
- Concern over the aggregation of many small storage resources
Management recommends the Board approve the proposed default energy bid for storage resources

• Provides an initial balanced approach to estimating storage costs for establishing default energy bids

• Enables the ISO to apply market power mitigation measures to storage resources