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

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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

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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

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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

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