

# Notice

**To:** David Olsen, Chair, Board of Governors  
Valerie Fong, Chair, EIM Governing Body

**From:** Roger Collanton, Vice President, General Counsel and Corporate Secretary

**Date:** February 22, 2019

**Re:** Notice of Planned Decisional Classification for “Local Market Power Mitigation Enhancements”

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***Any objection by the Chairs to this decisional classification is due by March 1, 2019.***

This is formal notice of ISO Management’s decisional classification for the “local market power mitigation enhancements” initiative. Any objection by the Chairs to the decisional classification is due by March 1, 2019. Otherwise, this initiative will be presented for decision consistent with the classification described below.<sup>1</sup>

For purposes of obtaining approval of this initiative, Management will be dividing it into five parts. The following element of this initiative falls within the EIM Governing Body’s primary authority (E1):

- Introduces a rule, which will be optional for each EIM BAA, that will limit an EIM BAA’s energy transfers out of its BAA that increase because the market power mitigation process reduced the BAA’s original energy bids

This element will be presented to the EIM Governing Body for approval and, if it is approved, will be included on the consent agenda at the next ISO Board of Governors meeting.

The remaining elements of the initiative fall within the EIM Governing Body’s advisory role (E2):

- Modifies mitigated bid price calculations used in market power mitigation based on each interval’s competitive locational marginal price and modifies the rules for extending mitigation beyond the interval being tested.
- Establishes a new default energy bid designed to approximate the opportunity costs for hydro resources with storage capability.

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<sup>1</sup> The process is described in the [Guidance for Handling Initiatives within the Decisional Authority or Advisory Role of the EIM Governing Body](#).

- Enhances the reference level adjustment process used by the real-time market and makes changes to the gas price index used to calculate reference levels in both the day-ahead and real-time markets.
- Introduces updates to the ISO tariff to reflect current gas publications for the entire real-time market.

These elements of the initiative will be presented to the ISO Board of Governors for approval with any advisory input from the EIM Governing Body that it elects to provide.

This classification is consistent with the classification presented in the Briefing on Policy Outlook at the October 31, 2018 EIM Governing Body meeting. Please note that after that meeting, the classification was changed briefly, as reflected in the ISO's initial draft final proposal dated January 16, 2019. At the time, the ISO believed incorrectly that both the flow reversal and transfer limitation rules must be implemented at the same time. After further review, Management determined this is not the case, and that the elements are severable for decisional purposes. The correct classification is reflected in the updated draft final proposal, dated January 31, 2019, and as stated herein.

The updated draft final proposal for this initiative is located [here](#). Additional relevant papers for this initiative are located [here](#).

Written stakeholder comments on the updated draft final proposal, including the proposed classification, were due February 8, 2019. There were no objections to the decisional classification in the updated draft final proposal.