

MRTU Start-up and Minimum Load Bid Caps



Eric Hildebrandt, Ph.D.
Department of Market Monitoring



California ISO
Your Link to Power

Market Surveillance Committee
General Session
August 10, 2007

Background

- **MRTU provide two options for startup and minimum load bids:**
 - Cost-based
 - Based on actual startup and min load fuel consumption specs
 - Updated based on daily spot market gas prices
 - Bid-based
 - Can exceed costs, but are fixed for 6-month period
 - MRTU filing assumed that 6-month period would deter excessive bids

- **Lack of any limit on start-up and minimum load bids may undermine/circumvent Local Market Power Mitigation**
 - When locational market power exists, generator could bid strategically to get units with very high startup/minimum load bids committed.
 - Units with high startup/minimum load bids could be self-scheduled to avoid being priced out of the market when no market power exists.
 - Even units outside of Local Capacity Areas (LCAs) can be needed under very high load conditions and/or due to temporary transmission outages.

Initial Options Considered (Feb. 9 Whitepaper)

■ Start-up

- Option 1: 100% of highest cost unit by category
 - e.g. short start vs. long start
- Option 2: 200% of units projected costs
- Option 3: 200% of “typical unit” by category

■ Minimum Load

- Option 1: \$500 price cap
- Option 2: 200% of units projected costs
- Option 3: 200% of “typical unit” by category
 - e.g. peak, steam, combustion turbine

Revised Options (May 16 Whitepaper)

- **200% of units projected costs**
- **200% of units projected costs with additional cost recovery mechanism**
 - Direct uplift for units bidding at 200% cap if spot gas prices rise 200%
- **300% of units projected costs**

Projected cost based on maximum of six monthly futures prices for six month bid will remain in effect.



Current Options

- **Separate cap for units inside and outside of Local Capacity Areas (LCAs)**
 - LCA units: 200%
 - Non-LCA units: 400%
- **Provisions for spot market gas price increase**
 - Direct uplift
 - Ability to revise bid
 - Ability to switch to cost-based option
- **Eligibility for gas price provisions**
 - Only LCA units bidding at 200% cap if spot price increases 200%
 - Any LCA unit if spot gas price increases 200% above gas index
 - Any LCA unit if cost-based option reaches bid
 - e.g. bid at 150% of projected costs + spot gas increase of 150%