

Decision on Uneconomic Adjustment Policy



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California ISO
Your Link to Power

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Software testing has revealed a need for tariff changes for MRTU start-up.

- 🌐 Two bid types:
 - Economic Bids – prices and quantities
 - Self Schedules – quantities only

- 🌐 Market tries to clear using Economic Bids only

- 🌐 Uneconomic Adjustments
 - Market runs out of Economic Bids
 - Must adjust Self Schedules or relax other constraints to clear

- 🌐 Proposed tariff change concerns the rules for Uneconomic Adjustments

Uneconomic Adjustments to Self Schedules follow priority order specified in the Tariff.

- 🌐 Example: Day-ahead market will adjust Self Schedules in the following order:
 - Generic price-taker supply
 - Regulatory must-run and must-take supply
 - Generic self-scheduled exports
 - Self-scheduled internal demand, and exports linked to non-Resource Adequacy supply capacity
 - Existing Transmission Contracts and Converted Rights self-schedules
 - Transmission Ownership Rights self-schedules
 - Reliability Must Run (RMR) supply

- 🌐 Market will utilize effective self-schedules within each priority class before resorting to a higher priority class.

Management proposal revises an inflexible rule to ensure operationally prudent schedules.

- 🌐 Problem: Existing MRTU Tariff requires use of **ALL** Economic Bids before adjusting Self Schedules
 - Can yield extreme schedules and prices when Economic Bids are ineffective.

- 🌐 Proposal: Allow low-priority Self Schedules to be adjusted prior to exhausting **ALL** Economic Bids ...
 - When **effective** economic bids are insufficient.

Decision item generally not controversial; parties do have other concerns about Uneconomic Adjustment.

Concerns	Further activities planned
Diverse opinions on values of adjustment parameters	CAISO will continue testing to establish parameter values for MRTU start-up Staff will document and discuss analysis with stakeholders
Failure to exhaust all Economic Bids will suppress prices	CAISO will set parameter values to adjust Self Schedules only to avoid extreme, operationally unreasonable schedules and prices
Different views on how CAISO should publish and change parameter values	Scheduling parameters – in <i>Operating Procedure</i> , to allow flexibility Pricing parameters – in <i>BPMs</i> , subject to FERC-approved change process
Concern about adverse impacts on Existing Rights	Parameter values will be set to honor Existing Rights, consistent with FERC approved policy in current MRTU Tariff.

Next steps

- Management requests Board approval to modify rules to allow Self Schedule adjustment when **effective** Economic Bids are insufficient
 - Threshold of effectiveness will be objective and transparent through published parameter settings
- Staff will continue testing to establish parameter values for MRTU start-up
 - Will publish testing and analysis results for discussion with stakeholders during the summer
 - CAISO will establish and publish start-up parameter values 45 days prior to market start-up
- CAISO will continually monitor parameters settings during market production to promptly identify any need to revise values.