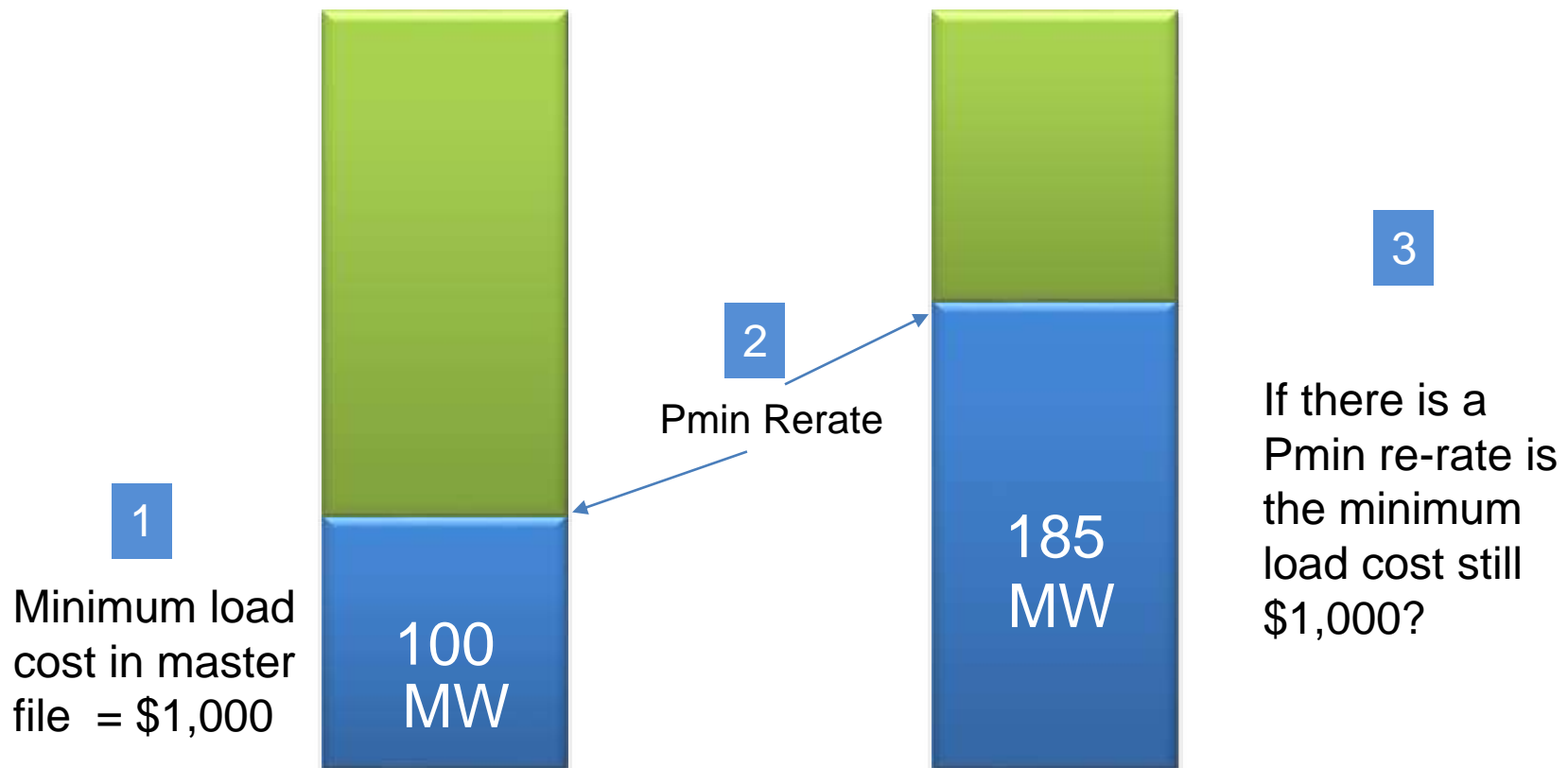# Bidding Rules Enhancements Part A

Production Activation – May, 2016

Scenario – A resource has 100 MW Pmin registered in master file with a cost of $1,000…What happens if there is a Pmin rerate?

1 Minimum load cost in master file = $1,000

100 MW

2 Pmin Rerate

185 MW

3 If there is a Pmin re-rate is the minimum load cost still $1,000?

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Problem:

- If a resource has a Pmin rerate
  - Pmin cost will be higher than the fixed cost registered in master file
    - Resources are not committed based on their actual cost instead appearing more economic
    - Resources may displace more economic resources
    - Resources may not recover all of their costs

Solution:

- The minimum load cost of the rerated Pmin level includes both the bid-in minimum load cost and the incremental cost of rerated energy which will be calculated using the resource's default energy bid (DEB).

> Min load cost of rerated Pmin level =
>   bid-in minimum load cost*
>   +
>   (re-rated energy x DEB cost)

* Or master file value if not bid in.

Example

Row	Data	Resource w/ no Pmin re-rate	Resource w/Pmin re-rate (current)	Resource w/Pmin re-rate (new)
A	Pmin (MW)	100	185	185
B	Pmax (MW)	300	300	300
C	Re-rated capacity (MW)	0	85	85
D	Capacity above Pmin (B - A)	200	115	115
E	Min load cost (per hour)	$7,000	**$7,000**	**$11,250***
F	Default energy bid cost (per MWh)	$50	$50	$50
G	Min load cost /MWh (E / A)	$70	**$38**	**$61**

* See next slide for explanation of this amount.

Solution:

- The minimum load cost of the rerated Pmin level includes both the bid-in minimum load cost and the incremental cost of rerated energy which will be calculated using the resource's default energy bid (DEB).

Min load cost of rerated Pmin level =
      bid in minimum load cost*

      +

      (re-rated energy x DEB cost)

$$\$11{,}250 = \$7{,}000 + (85 \text{ MW} \times \$50)$$

* Or master file value if not bid in.

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Summary

- Effective May 2016* "Bidding Rules Enhancements – Part A" will be implemented
  - If a resource has a Pmin rerate, the market (day-ahead or real-time) will use the default energy bid (DEB) cost to capture the incremental cost of the rerated energy.

- This will lead to:
  - More efficient accounting for minimum load costs
  - More efficient resource commitment decisions
  - More accurate bid cost recovery for ISO resource commitments

*Exact date pending FERC Approval.

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THANK YOU.