



California ISO

Credit Management

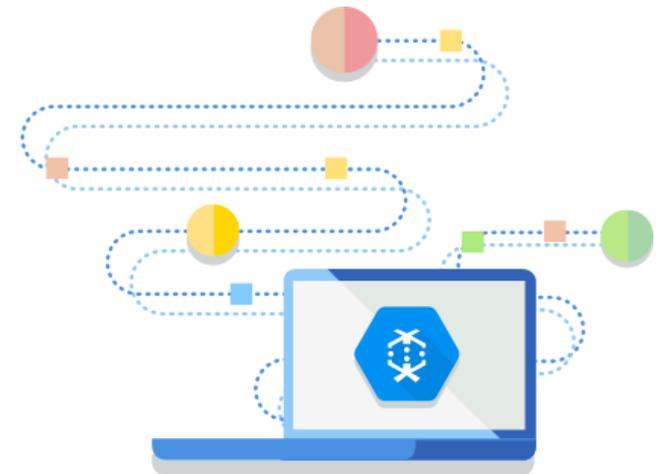
Convergence Bidding EAL Components & Data Flow

December 2020

ISO Public

Key Points of Discussion

- Convergence Bidding Overview
- Convergence Bidding EAL Components
- Convergence Bidding Data Flow



ISO Public

Convergence Bidding Overview

- Convergence Bidding is a market feature that allows a registered convergence bidding entity to submit bids in the day-ahead market. Awards are paid or charged the day-ahead price and automatically liquidated at the relevant hour-ahead scheduling process or real-time price.
- All convergence bids submitted are subject to a credit check. If there is insufficient available credit at the time the bids are submitted, those bids are rejected.



ISO Public

Convergence Bidding EAL Components

- Virtual Bid – All bids submitted and approved by a credit check up to seven (7) days prior to the trade date for any given bid(s).
- Virtual Day-Ahead – Updated estimated liability values of awards after the close of the Day-Ahead Market.
- Virtual Real-Time – Updated estimated liability values of awards after the close of the Real-time Market.

ISO Public

Convergence Bidding Data Flow



- Virtual Bid Submittal
 - Bid is submitted by a Market Participant
 - Once the bid is submitted, it passes through a SIBR validation
 - After validation, the bid amount is sent to credit to validate sufficient funds for bid (credit check process)
 - If there are sufficient funds to cover the bids, bids are approved and liabilities are updated accordingly
 - If there are insufficient funds to cover the bids, bids are rejected and there are no changes to the liabilities.

ISO Public

When a Bid is Rejected

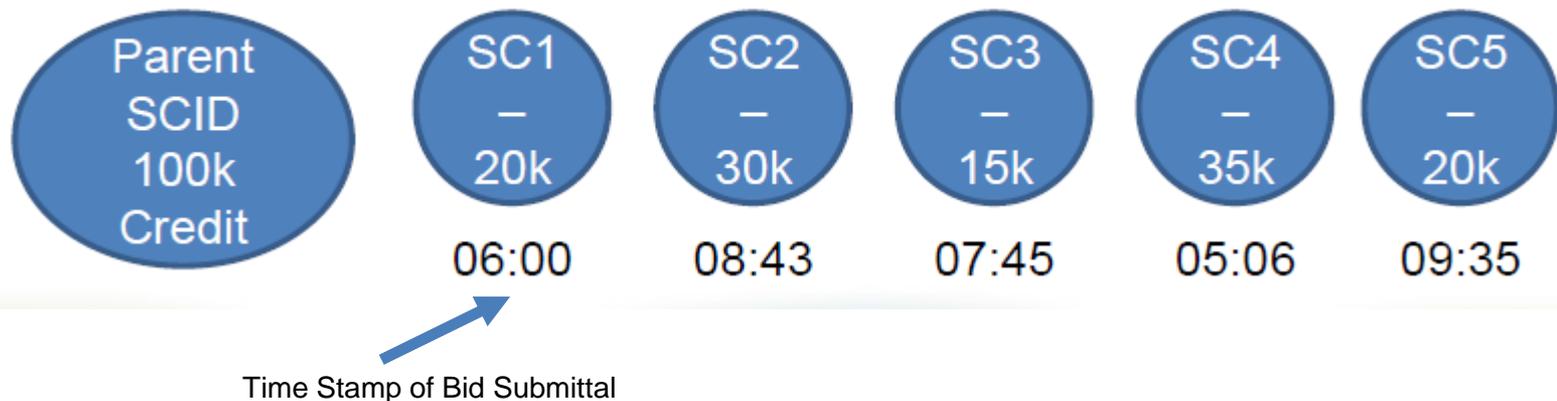
- If a bid or batch of bids exceeds the available credit limit, the bid amount will be disapproved based on a last in/first out basis
- The SIBR system informs the Market Participant via a pop-up window that there is insufficient available credit to cover their bids.
- This pop-up window will display the incremental amount needed to cover the bid submission.
- Market Participants may post additional collateral or submit smaller bids based on their available credit.
- For questions regarding posting additional collateral, please contact CAISOCredit@caiso.com.



ISO Public

Rejected Bid Example

In the example below, SC5 would be rejected as it was the last bid submitted. All previous bids (SC1-SC4) remain approved.



ISO Public

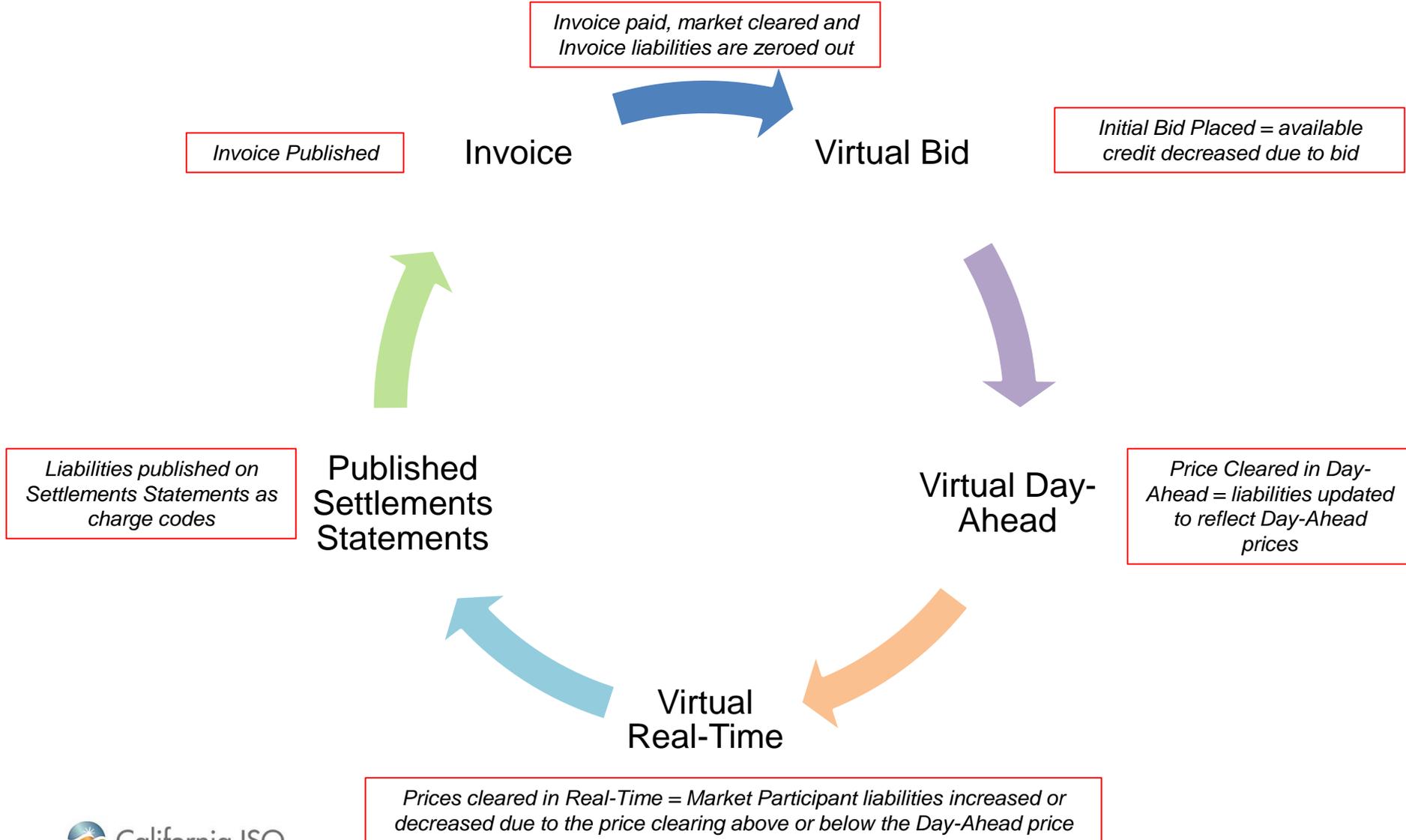
When a Bid is Canceled

- A bid can only be canceled by a Market Participant, and not by the California ISO.
- Canceled bids are not immediately reflected in the Market Participant's liabilities and the California ISO does not suggest canceling bids within an hour of the close of the Day-Ahead Market (10am Pacific Time)
- If a Market Participant a previously approved bid(s), the liabilities are updated as the system refreshes.
 - It may take up to an hour to release the credit that was being held for the approved bid(s) prior to cancelation.

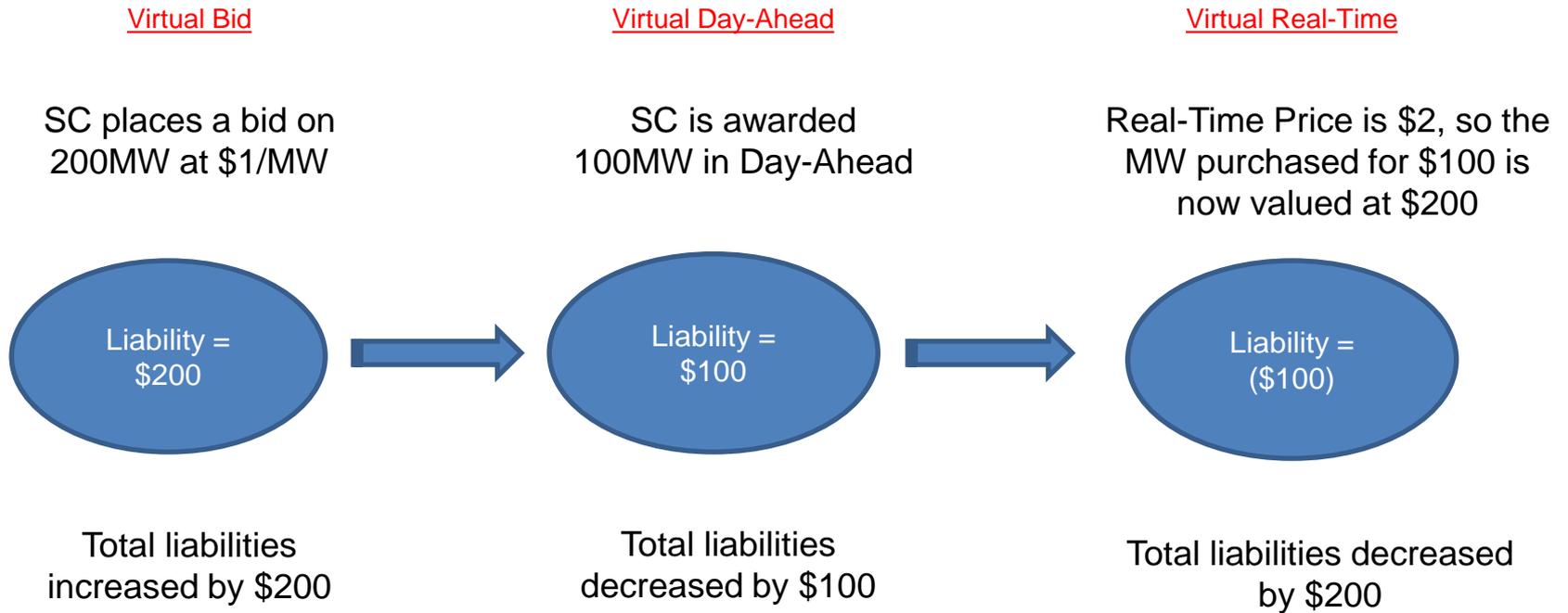


ISO Public

The Life Cycle of a Convergence Bid



Example of the Convergence Bidding Life Cycle



ISO Public

For additional information regarding Convergence Bidding and Credit Management, please contact:

Christina Billing, Lead Treasury & Credit Analyst

cbilling@caiso.com or (916) 351-2204

Taylor Adams, Associate Treasury & Credit Analyst

tadams@caiso.com or (916) 351-2106

ISO Public