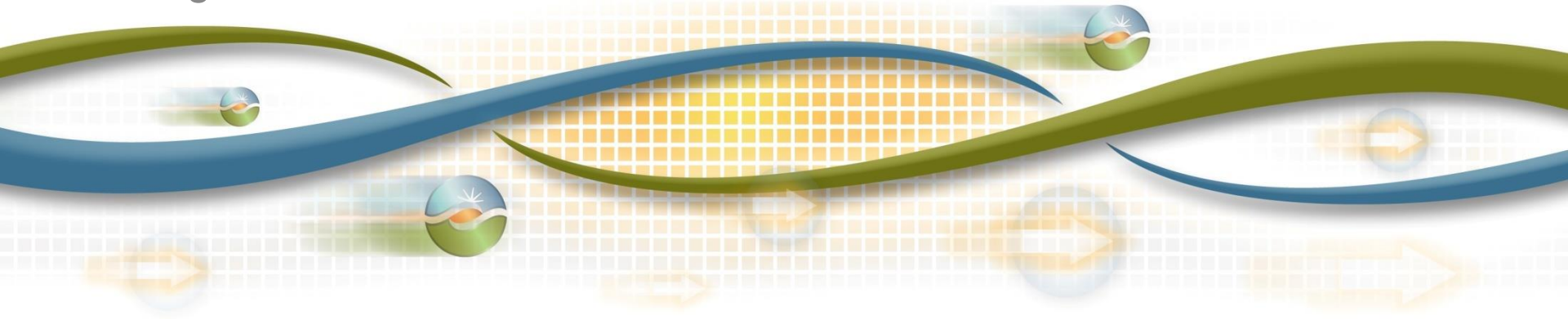


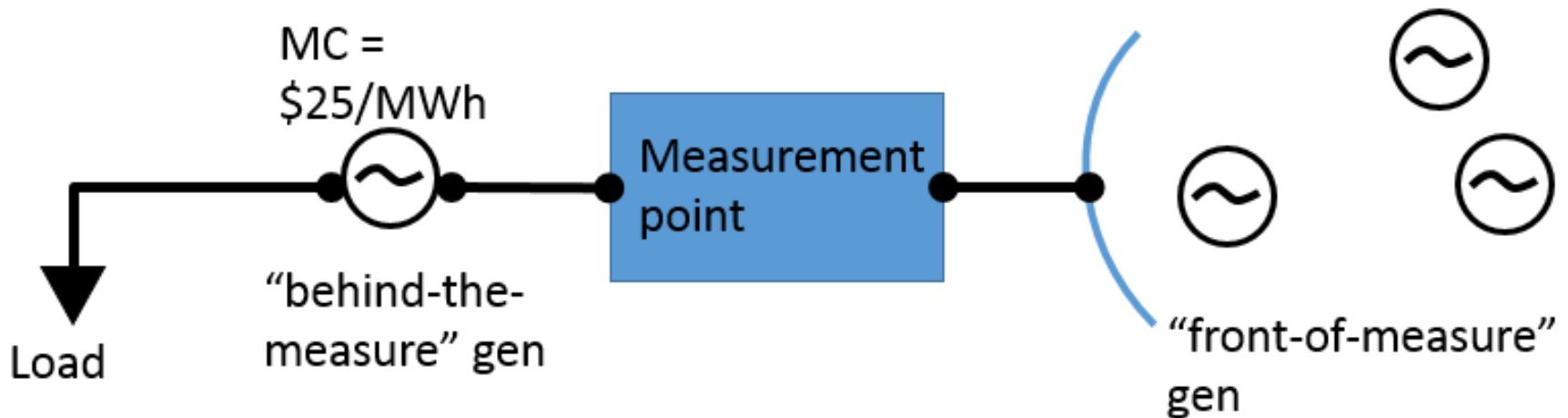
Spot market inefficiency from charging TAC on per MWh basis

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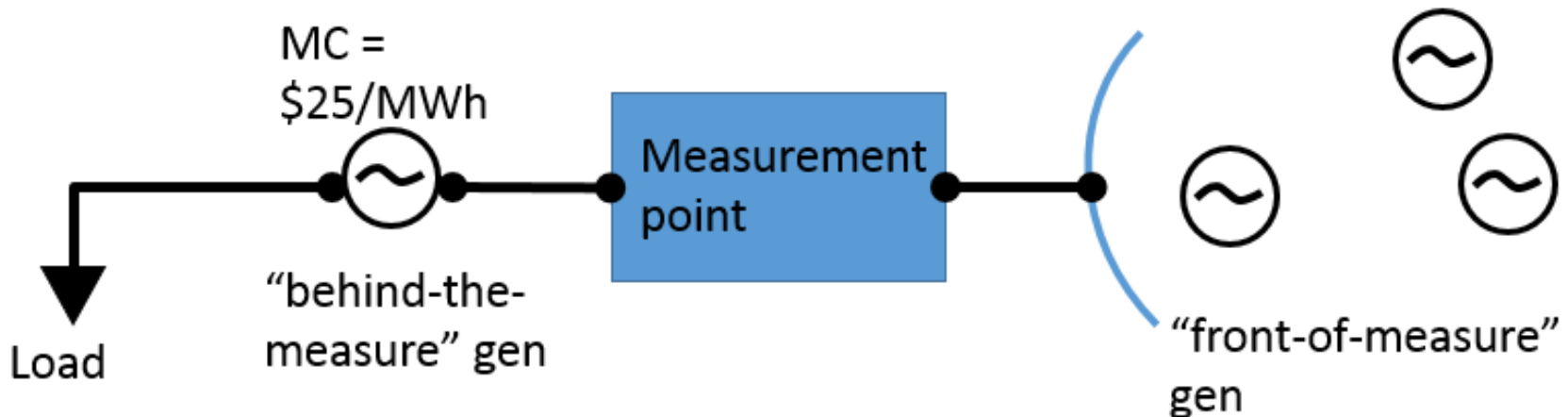


Example with TAC *not* being charged for each MWh consumed (load pays LMP for each MWh consumed and a separate lump sum payment for TAC)



- “Behind-the-measure” gen turned on if cost of marginal system gen > cost of “behind-the-measure” gen (\$25)
- Supports least cost dispatch

Example with TAC being charged for each MWh consumed (load pays LMP + \$7/MWh TAC)



- “Behind-the-measure gen” turned on if cost of marginal system gen $> \$25 - \$7 = \$18$
- \$25 “behind-the-measure” gen will displace *cheaper* (\$19, \$20, \$21...) “front-of-measure” gen.
- Inefficient: Does not support least cost dispatch
- Per MWh TAC subsidizes resources considered “behind-the-measure” relative to resources “front-of-measure”