

Stakeholder Process: Price Inconsistency Enhancements

Summary of Submitted Comments

Stakeholders submitted three rounds of written comments to the ISO on the following dates:

- Round One, 07/06/12
- Round Two, 08/16/12
- Round Three, 09/17/12

Stakeholder comments are posted at:

<http://www.caiso.com/informed/Pages/StakeholderProcesses/PriceInconsistencyMarketEnhancements.aspx>

Other stakeholder efforts include:

- Stakeholder Teleconference/Web Conference, June 26, 2012
- Comments on Issues Paper and Straw Proposal, July 6, 2012
- Stakeholder Meeting, August 9, 2012
- Comments on Revised Proposal, August 16, 2012
- Stakeholder Teleconference/Web Conference, September 10, 2012
- Comments on Final Proposal, September 17, 2012.

| | Use both awards and prices from the pricing run | Implement a hard bid floor | Use prices produced by optimization to settle default load aggregation points and trading Hubs |
|-----------------------------------|---|--|--|
| Pacific Gas and Electric | No comment | No Comment | Conditional, Concerned with participants exploiting settlements differences between proposed aggregate prices and weighted average prices. Requires DMM be involved in analyzing exploitive opportunities. |
| Powerex | Support | Generally Support Suggest to use a symmetrical floor/cap bid | General Support Wants clarification how equivalent aggregate prices in the real-time will be calculated. |
| Southern California Edison | Support Suggest to monitor closely the mixed-integer programming gap | Support | Conditional, Suggest having the ability to have as a backstop to use weighted average prices if there are implementation barriers for the proposed pricing approach. Wants clarification on how congestion revenue rights will be priced and settled. Suggests to involve DMM in exploring arbitrage concerns. |
| SESCO | No comment | No comment | No comment |
| Six Cities | Support | Support | Support |
| Western Power Forum | Support | Support | Support |
| Management Response | The ISO already monitors the mixed-integer programming gap and will keep doing after the enhancement. | This stakeholder initiative did not undertake the analysis of the bid floor cap. Its proper value was part of another stakeholder initiative (Renewables Phase I). In the scope of the price inconsistency effort, it was only about the change from soft to a hard floor. | Although conceptually an arbitrage opportunity between the proposed aggregate price and weighted average price, the ISO and DMM carefully considered this concern and concluded it would not pose a credible opportunity for such behavior due to the difficulty in effectively predicting when such a strategy would be profitable to engage in. Furthermore, to further address concerns, the ISO will ensure the same aggregate pricing methodology proposed for the day-ahead market will be applied in the real time market. The ISO has consulted with DMM on this matter. The ISO will closely monitor. |