



# Decision on bid cost recovery and variable energy resource settlement

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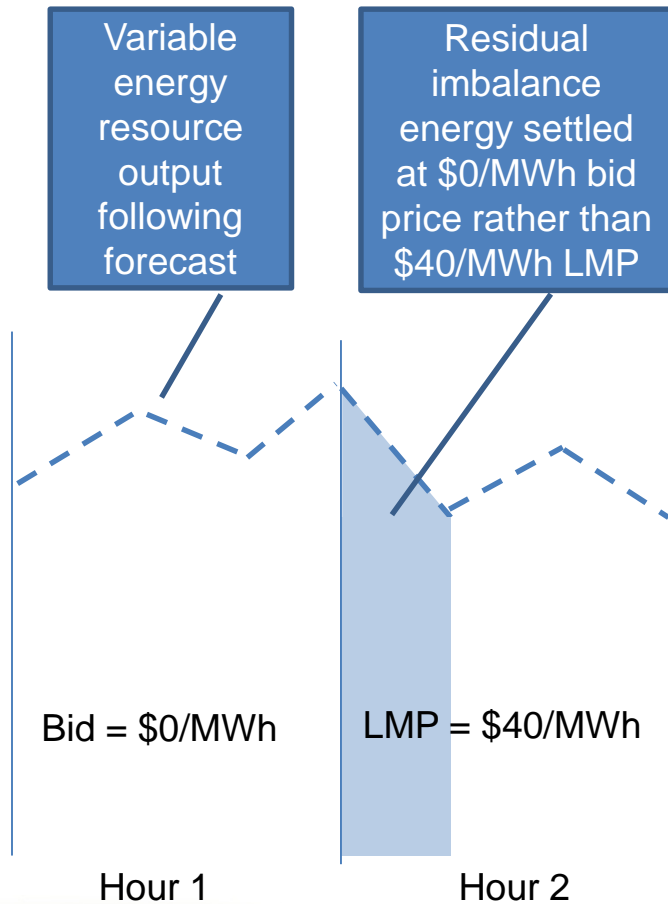


This initiative provides further enhancements to FERC Order 764 and bid cost recovery changes from 2014.

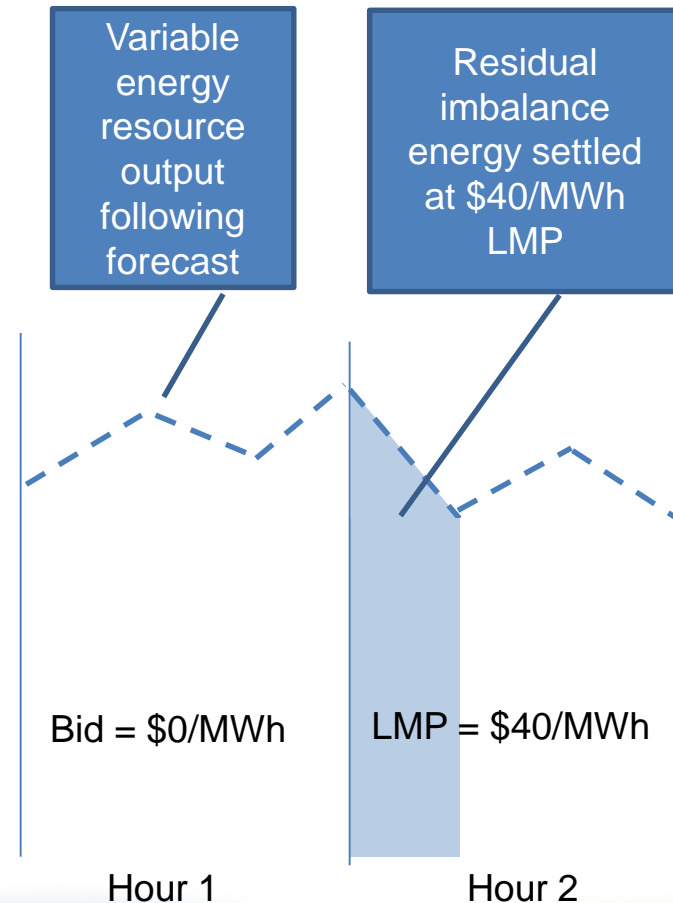
- **Item 1** - modify existing financial settlement rules to ensure fair treatment of variable energy renewable resources that provide economic bids to the ISO market.
- **Item 2** - minor enhancements to a bid cost recovery metric calculation used in settlement of all resources.

# Item 1 - Settlement modifications for economically bidding variable energy resources

## Existing



## Proposed



# Proposal modifies the settlement of variable energy resources to remove disincentives for economic bids.

- Pay residual imbalance energy resulting from variations in a resource's intermittent energy source the locational marginal price.
  - Not subject to mitigation measures that apply to uninstructed deviations.
- Continue to pay the resource's bid price for residual imbalance energy resulting from an ISO dispatch based on its economic bid.
  - Subject to uninstructed deviation mitigation measures.

## Item 2 - Minor modifications to bid cost recovery metric to ensure mitigation is consistent with the original policy intent.

- Metric is applied to all resources to ensure that a resource's bid cost recovery payment is based on costs for energy that it actually delivered.
- Management proposes minor enhancements to the metric so that it accurately calculates whether mitigation is appropriate.
  - Avoids anomalous mitigation in instances when a resource is fully responding to ISO dispatch.
  - Avoids mitigation when a resource is producing energy above its minimum operating level.

# Stakeholders support the proposal.

- **Item 1** - Stakeholders support the proposal but some would like the ISO to consider a more comprehensive review of energy classifications used for financial settlement of variable energy resources.
- **Item 2** - Stakeholders unanimously support the modifications to the day-ahead metered energy adjustment factor.

Management recommends the Board approve the proposal which further refines existing policy.

- Proposed refinements ensure variable energy renewable resources are equitably settled and further incentivizes economic bids to the ISO market.
- Minor enhancements to metric that ensure bid cost recovery is only paid on energy actually delivered.