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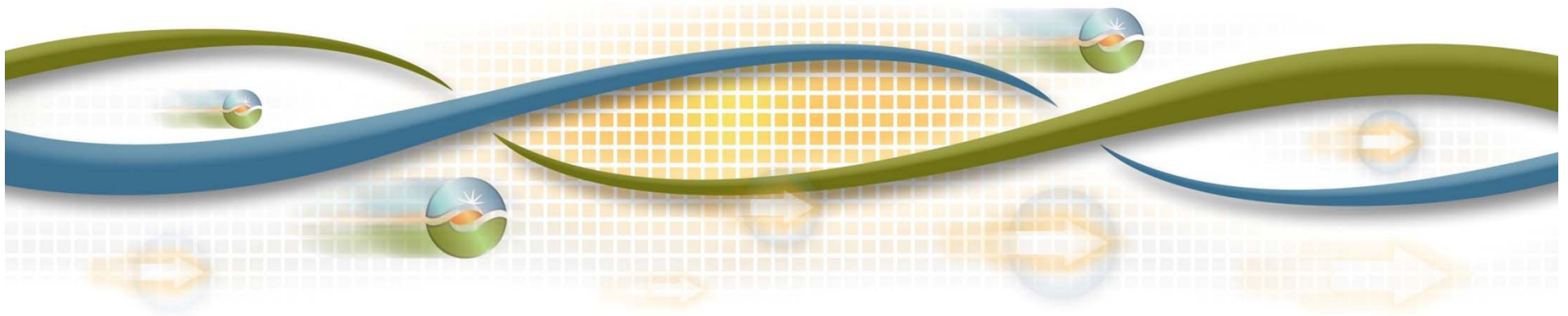
# Settlements of Interties in Real-Time: Revised Straw Proposal

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# Introduction

- The ISO is proposing solutions to three separate but interrelated issues:
  - Real-time imbalance energy offset
  - Convergence bidding at interties
  - Price inconsistencies caused by intertie constraints
- Two options to reach longer term solution
  - Implement an interim solution followed by a longer term solution (Final implementation spring 2014)
  - No interim solution, focus on longer term solution (Final implementation fall 2013)

## ISO Proposal: The Longer Term Solution

- Use a modified NYISO model as the starting point and adapt to account for the addition of virtual bids
- Will clear both physical and virtual bids in the same time frame
- Evaluate whether and when physical intertie resources exports would be eligible for BCR
- Physical resource deviations from HASP schedules settled at the RTD price
- HASP schedules decline charge threshold and penalty would be eliminated

## The Interim Solution

- Intertie virtual bidding reintroduced
- Virtual bids priced at
  - real-time LMP when constraints less than or equal to \$2
  - HASP LMP when constraints greater than \$2
- Subject to 2.5 percent position limit of intertie's capacity (ATC) per scheduling coordinator (SC)
- Subject to an increasing threshold for the value used to determine when intertie virtual bids are priced at the real-time LMP or the HASP LMP.

## The Interim Solution

- No changes to HASP pricing for physicals resources until a long term solution is put in place
- ISO will use different settlement LMPs for physical awards and virtual awards (Option A).
- The ISO will design a long term solution using based on NYISO intertie pricing model to settle both intertie convergence bids and intertie physical resources

# The Interim Solution: Shadow Price Trigger Increases

| Trigger Hit | ITC Shadow Price                               |
|-------------|------------------------------------------------|
| Initial     | \$2                                            |
| First time  | \$5                                            |
| Second Time | \$15                                           |
| Third Time  | \$30                                           |
| Fourth Time | \$55                                           |
| Fifth Time  | Convergence Bidding on the Interties Suspended |

## Requested MSC Input

- The ISO is seeking MSC input on
  - The proposed interim solution
  - The proposed longer-term solution
  - The preferred option for the ISO's next step
    - Option 1 or Option 2