

Issues for Scarcity Pricing Conceptual Design

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**Market Surveillance Committee Meeting/
Stakeholder Meeting**

Stakeholder Meeting

June 6, 2007

Scarcity Pricing Is a Compliance Filing with FERC

- **In September 2006 Order FERC directed the CAISO to**
 - File tariff language for implementation of scarcity pricing methodology
 - Develop a reserve shortage scarcity pricing mechanism
 - Implement it within 12 months after MRTU Release 1

FERC Has Defined a Framework for the Methodology

- **FERC has specified that the methodology has administratively-determined graduated prices at various levels of shortage**
- **It applies to both day-ahead and real-time markets**

Design Issues Require Inputs and Discussion

- **Products**
 - Ancillary Services (A/S) to be included
 - Separate or combined
- **Triggers and levels of scarcity**
 - The CAISO operational emergency condition (Stage 1, 2, 3)
- **Reserve demand curves**
 - The prices at different scarcity levels

Design Issues Require Inputs and Discussion (cont.)

- **System-wide or locational (zonal)**
 - Having a uniform scarcity price system-wide or measuring scarcity by congestion zone
- **Resource Adequacy (RA) resources Day-Ahead A/S must-offer**
 - Reducing possibility for market manipulation

Written Comments Are Requested

- **The CAISO has posted an Issue Paper for scarcity pricing conceptual design**
- **Written comments are requested by June 13, 2007**