

# Start-up & Min Load Bid Caps: Review of Previous Stakeholder Comments & Issues



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**California ISO**  
Your Link to Power

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# Objectives

- 🌐 Create a bid-based market per FERC request
- 🌐 Effective LMPM—costs to consumers of above-cost bids
- 🌐 Avoid overmitigation, protect suppliers against gas price risks
- 🌐 Ease of implementation & administration
- 🌐 Transparency
- 🌐 Provide incentives to reduce costs

# Alternatives

- 🌐 Caps based on own cost, or cost of class of generator?
- 🌐 What multiple of the base?
  - 150%, 200%, 300%?
  - Differentiate by load pocket vs. outside?
- 🌐 For what period of time would bids be in place?
- 🌐 If gas prices change, does the new cap apply to new bids, or also those in effect?
- 🌐 What escape hatch if prices risk unexpectedly?
  - Rebid: then should all bids be allowed to rebid, or only those at cap?
  - Cost recovery thorough uplift
  - Option to switch to cost based option: should it be an irreversible choice?
- 🌐 What is trigger for escape hatch?
  - If gas price exceeds multiple of base?
  - For how long?
  - Demonstration of Actual costs in Excess of bid price?
- 🌐 Which gas prices to be used?
  - Henry Hub -- add transport cost or not?
  - Maximum of monthly forward prices?
  - How average forward prices on different days?

# Some Questions

- 🌐 What is the nature of risk to suppliers?
  - Gas price risk?
  - Quantity risk?
  - Combination?
- 🌐 How often would California generators receive uplifts, and how would the different options affect those costs?
- 🌐 In long run, do we want to include PJM-type SU&ML bid mitigation in LMPM?
- 🌐 Are incentives to minimize costs dampened?

# Comments (March 2007) by Williams & WPTF

- ⦿ Against spirit of bid-based system FERC wants
- ⦿ Original MRTU filing was supposed to be a complete mitigation package, not to be modified
- ⦿ Proposal is more mitigation without countervailing cost recovery
- ⦿ Shouldn't mitigate unless market power demonstrated
- ⦿ Preference for maximum headroom

# Comments (July 2007)



## WPTF

- Specific tariff language concerns
- Definition of “sufficient” data upon which CAISO will base cost-based bids



## Williams

- If market power is concern, identify units key to maintaining reliability, and encourage forward contracting
- Tariff doesn't say which days' monthly forwards would be used to determine prices
  - Avg of 21 days of forwards proposed
  - Williams proposes maximum over those 21 days
- Apply new rolling 6 mo cap only to new bids submitted for that period, not previously accepted bids
- Use of Henry Hub price ignores basis differential between HH and CA border and gas transport charges to burner tip. So less headroom than appears
  - Asks CAISO to monitor prices



# Comments (July 2007), Continued

## PG&E

- 300% too high, as local units needed for reliability would submit very high bids when they have local market power, and self-schedule at other times
- Recommends 150% + cost recovery mechanism if prices exceed that

## SCE

- Suspend market-based bids until PJM-style LMPM in place.
- Otherwise, deal with persistent problems:
  - If unit using market-based bid is committed  $> 20$  times in 6 mo election period, should replace with cost-based for remainder of period (if less)

# Comments (July 2007), Continued

## CPUC

- Balance objectives of protecting from market power, and maintaining efficient market rules applied uniformly to all market participants
- Anticipates many hours of payments of SU/ML uplifts for producers who are probably already receiving high LMPs
- Would like to see PJM-style LMPM
- Recommends 200% of costs, not 300%
  - eliminates most risk due to short term gas spikes



# Discussion and Recommendations

## General issues and concerns

## DMM proposal

- Bid cap levels
- Separate caps for units inside and outside local capacity areas
- Provisions if spot gas price increase
  - Direct uplift
  - Ability to revise bid
  - Ability to switch to cost-based option
- Eligibility for gas price provisions
  - Only LCA units who bid at 200% cap (if P exceeds 200% of index)
  - Any LCA if gas price > 200% of index
  - Any LCA unit if cost-based option reaches bid