

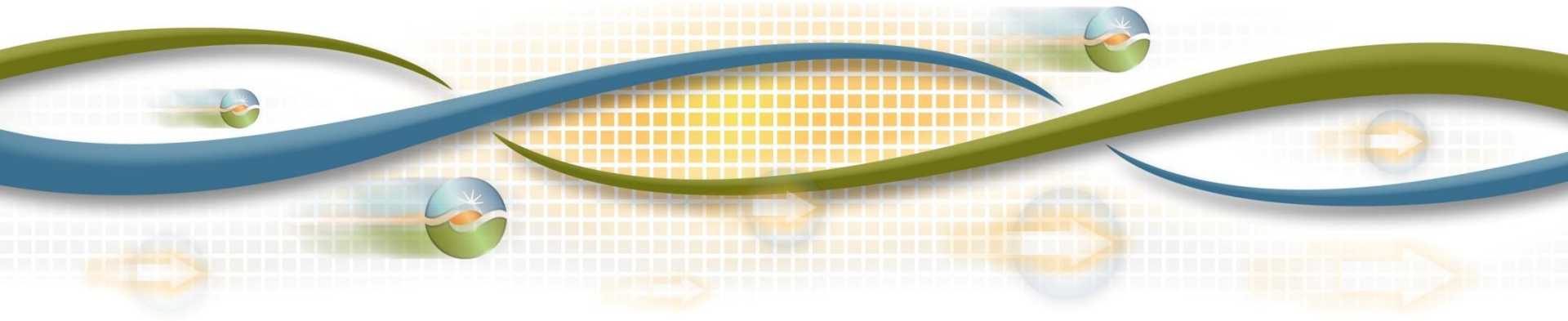
Settlements of Interties in Real-Time: Third Revised Straw Proposal

MSC Meeting

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HASP Dispatch and Settlement Price

- Physical imports and exports scheduled in HASP and virtual bids at the interties closed out in HASP
- Both physical imports/exports and virtual bids at the interties settle at:
 - Real-time LMP plus ITC constraint shadow price
 - Final settlement price calculated using the simple average of each of these LMP components over the applicable hour

Undelivered HASP and IFM schedules

- Undelivered HASP intertie schedules will be charged the worse of the HASP or RTD price
 - HASP schedules decline charge threshold and penalty eliminated
- Undelivered IFM intertie schedules will be charged the worse of the IFM or RTD price

Make-Whole Payments

- Proposed settlement methodology could lead to a resource dispatched in the HASP ultimately settling at a price that is not consistent with its bid
- Costs of make-whole payments for imports will be allocated to measured demand
- Costs of make-whole payments for exports will be allocated to positive supply deviations and negative load deviations
 - Consistent with the existing provisions for allocating overgeneration mitigation costs, section 7.8.6 of tariff
- Only make-whole payment will contribute to the real-time imbalance energy offset

Make-Whole Payments

- Physical resources will receive a make-whole payment if the hourly settlement price is below the bid price of an import (or above the bid price of an export if the ISO determines operational needs for exports
 - Virtual bid will not receive a make-whole payment
 - Make whole payments made to imports or exports, not both
 - The ISO will net the import/export's as-bid costs against the amount received/paid due to the settlements price
 - ISO will inform market participants prior to HASP if exports, instead of imports are eligible

Virtual Bidding Position Limits

- Total virtual inertia position limit at 10 percent of the largest inertia across all inertias scheduling points for each scheduling coordinator
 - The single largest inertia is the Tracy inertia at 3,829 MW
- Allows:
 - Sufficient hedging across most ties
 - The ISO to assess the effectiveness of the new convergence bidding design
- Would remain in place for at least six months
 - ISO and DMM will examine the performance of convergence bids on the inertias before changing

Dual Constraints

- Five proposal considered:
 - Do nothing
 - ISO's Option A
 - Powerex Proposal
 - SCE Proposal
 - Tagging constraint
- Resolving the dual constraints the ISO will:
 - eliminate the “physical only” constraint in the day-ahead market
 - impose a limit on the number of e-tags it will accept for IFM physical market awards