**Section 29**

*(This is an* ***existing*** *section. Black text is original language.*

*The redlines show proposed changes since the initial filing)*

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**29.39 EIM Market Power Mitigation.**

**(a) EIM Market Power Mitigation Procedure.** The CAISO shall apply the Real-Time Local Market Power Mitigation procedure in Section 39.7 to the Energy Imbalance Market, including EIM Transfer constraints into an EIM Entity Balancing Authority Area on an EIM Internal Intertie, except as provided in Section 29.39. In relation to power balance constraints within the EDAM Area, the Marginal Energy Cost in the CAISO BAA will reflect a competitive marginal energy price. For this purpose, when an EDAM BAA’s Marginal Energy Cost is greater than CAISO BAA’s Marginal Energy Cost, then Real-Time Local Market Power will apply the competitive path assessment. The Real-Time Local Market Power process will treat the differential between the Marginal Energy Cost in the CAISO BAA and the Marginal Energy Cost in the EDAM BAA similar to the non-competitive component of the Marginal Cost of Congestion in CAISO’s Local Market Power Mitigation process and will subject resources’ Bids to mitigation procedures.

**(b) Competitive Path Assessment.** The CAISO shall conduct the competitive path assessment to determine for each EDAM Balancing Authority Area and EIM Entity Balancing Authority Area whether a path is competitive or non-competitive, consistent with Section 39.7.2, except that –

(1) EDAM Resource Scheduling Coordinators and EIM Participating Resource Scheduling Coordinators shall submit information required by the CAISO to perform the competitive path assessment;

(2) the competitive path assessment shall not exclude EDAM Resources or EIM Participating Resources from the test used to determine the competitiveness of Transmission Constraints on the basis that they may be net buyers of Energy in the Real-Time Market; and

(3) the CAISO may establish different Reference Buses for each Balancing Authority Area, which need not be within the Balancing Authority Area, for calculating the LMP decomposition which is used to trigger Bid mitigation, based on the topology of each Balancing Authority Area and consideration of the bus at which the Marginal Cost of Congestion component of Locational Marginal Prices is least influenced by market power.

**(c) Locational Marginal Price Decomposition.** The CAISO shall perform the Locational Marginal Price decomposition within each EDAM Entity Balancing Authority Area and EIM Entity Balancing Authority Area using the results of the competitive path assessment and the Congestion pricing results of the premarket run to determine which resources may have local market power due to Congestion on a non-competitive Transmission Constraint, consistent with Section 34.2.3 and 39.7.

**(d) Default Energy Bids.** The CAISO shall use the methods and standards set forth in Section 39.7 to determine Default Energy Bids for EDAM Resources and EIM Participating Resources, except that the CAISO will use the Market Services Charge and system operations charges described in Section 33.11.6 reflected in the EDAM Administrative Charge or Section 11.22.2 reflected in the EIM Administrative Charge, as applicable.

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**Section 31**

*(This is an* ***existing*** *section. Black text is original language.*

*The redlines show proposed changes since the initial filing)*

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**31.3.1.6.3 Imbalance Reserves Deliverability and Nodal Procurement**

**31.3.1.6.3.1 Nodal Procurement of Imbalance Reserves Awards**

The CAISO optimizes procurement of Imbalance Reserves Awards such that, in the event modeled uncertainty arises fully for either the upward or downward directions, the Energy that would be dispatched from resource capacity corresponding to the Imbalance Reserves Awards, as adjusted by the applicable Deployment Factor, would not result in flows exceeding Transmission Constraints and scheduling limits, including EDAM Transfer limits, on transmission facilities identified through a methodology established in the Business Practice Manual. The methodologies the CAISO uses to establish the Deployment Factor and identify the transmission facilities seek to meet a risk/cost trade-off that balances the: (a) operational benefit of clearing reliably deliverable Imbalance Reserves; and (b) economic implications from imposing deliverability requirements on Imbalance Reserves procurement. In making this trade-off, the methodologies consider factors such as the anticipated or observed impact of the Deployment Factor or identified transmission facilities on the: (1) deliverability of Energy procured from awarded Imbalance Reserves; (2) Marginal Cost of Congestion for Energy; (3) Locational IRU Prices and Locational IRD Prices; (4) performance of the IFM optimization, including solution time and solution quality; (5) need to manually intervene in RUC or engage in other out-of-market action; and (6) effect of other factors whose magnitude of impact on the basic trade-off is unforeseen on the effective date of this 31.3.1.6.3.1.

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**Section 33**

*(This is a* ***new*** *section. Black text shows language from initial filing.*

*The redlines show proposed changes since the initial filing)*

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**33.31.2 Operation of the Day-Ahead Market in the EDAM Area**

**33.31.2.1 IFM MPM in the EDAM Area**

For purposes of the IFM MPM in the EDAM Area, the CAISO applies a competitive path assessment to binding Transmission Constraints.to determine whether a path is competitive or non-competitive, consistent with the requirements of Section 29.39. If a path is non-competitive, MPM procedures will apply to determine any non-competitive contribution to LMPs. Resources’ Bids will be subject to applicable mitigation procedures if the net contribution from non-competitive binding Transmission Constraints to these resources’ LMPs is positive.

In relation to power balance constraints within the EDAM Area, the Marginal Energy Cost in the CAISO BAA will reflect a competitive marginal energy price. For this purpose, when an EDAM BAA’s Marginal Energy Cost is greater than CAISO BAA’s Marginal Energy Cost, then the IFM MPM will apply the competitive path assessment. The IFM MPM process will treat the differential between the Marginal Energy Cost in the CAISO BAA and the Marginal Energy Cost in the EDAM BAA similar to the non-competitive component of the Marginal Cost of Congestion in CAISO’s Local Market Power Mitigation process and will subject resources’ Bids to mitigation procedures.

**33.31.2.2 IFM in the EDAM Area**

The IFM procures Energy and Imbalance Reserves for EDAM Entity Balancing Authority Areas but does not procure Ancillary Services. EDAM Entities must self-provide their full Ancillary Services requirements to the IFM and cannot submit Economic Bids for Ancillary Services to the IFM.

The CAISO procures Energy across the EDAM Area as specified in Section 31.3.1. The CAISO procures Imbalance Reserves across the EDAM Area as specified in Sections 31.3.1.5 and 31.3.1.6. An EDAM Resource must meet the requirements applicable to Participating Generators to be eligible for Imbalance Reserves Awards and must meet all of the RTM Bidding Obligations specified in Section 31.3.4.

**33.31.2.3 RUC MPM in the EDAM Area**

For purposes of the RUC MPM in the EDAM Area, the CAISO applies a competitive path assessment to binding Transmission Constraints.to determine whether a path is competitive or non-competitive, consistent with the requirements of Section 29.39. If a path is non-competitive, MPM procedures will apply to determine any non-competitive contribution to RUC prices. Resources’ Bids will be subject to applicable mitigation procedures if the net contribution from non-competitive binding Transmission Constraints to these resources’ prices for Reliability Capacity Up is positive.

In relation to power balance constraints within the EDAM Area, the marginal Reliability Capacity cost in the CAISO BAA will reflect a competitive RUC price. For this purpose, when an EDAM BAA’s marginal Reliability Capacity cost is greater than CAISO BAA’s marginal Reliability Capacity cost, then the RUC MPM process will apply the competitive path assessment. The RUC MPM process will treat the differential between the marginal Reliability Capacity cost in the CAISO BAA and the marginal Reliability Capacity cost in the EDAM BAA similar to the non-competitive component of the Marginal Cost of Congestion in CAISO’s Local Market Power Mitigation process and will subject resources’ Bids to applicable mitigation procedures.

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**Appendix A**

*(This is an* ***existing*** *definition. Black text is original language.*

*The redlines show proposed changes since the initial filing)*

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## - Deployment Factor

As specified in Section 31.3.1.6.3.1 and further specified in the Business Practice Manual, the percentage of Imbalance Reserves Awards the CAISO models as being deployed for Energy for the purpose of modeling the deployment of Imbalance Reserves against Transmission Constraints. The CAISO establishes distinct Deployment Factors for Imbalance Reserves Up and Imbalance Reserves Down.