

Decision on Proposal regarding Decline of Real-Time Import/ Export Bids



Greg Ford, Manager, Market Operations



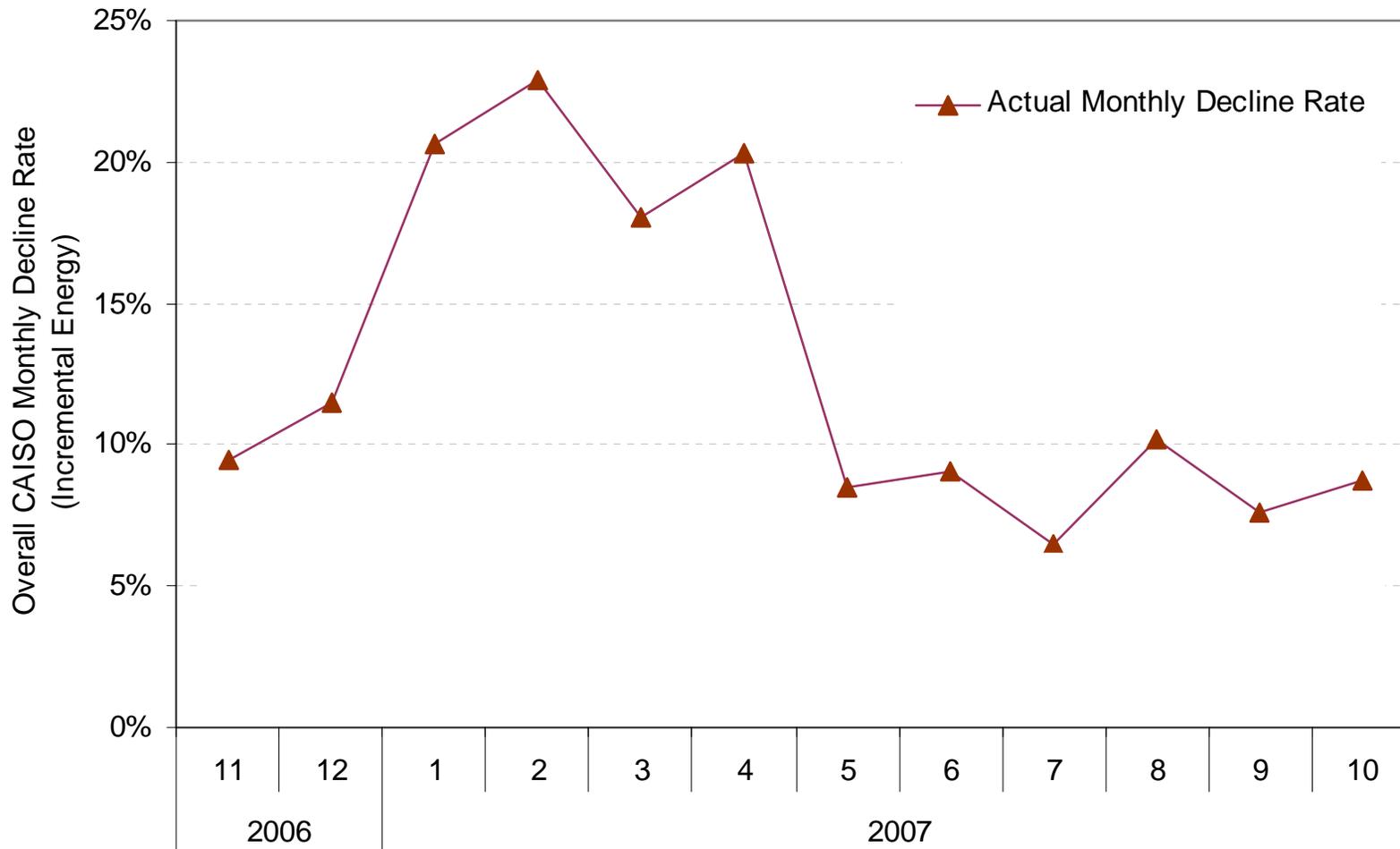
California ISO
Your Link to Power

Board of Governors Meeting
General Session
December 12-13, 2007

Background

- 🌐 “Pre-dispatch” is the real-time inter-tie market
 - Hour long blocks of energy chosen in an optimization process
- 🌐 Frequent declines of pre-dispatches are a problem
 - Creates a sub-optimal solution, can lead to price spikes in real-time
 - In an extreme situation can create a reliability issue
- 🌐 Frequent declines seen in spring of 2007
 - Grid Ops referred issue to DMM for analysis

Incremental Energy Decline Rates



Actions Taken

- 🌐 DMM and team query participants on root causes
 - Marketers experienced schedule cuts
 - Western market was ahead of CAISO market
 - Scheduling Coordinators chasing the same MW
- 🌐 DMM apprised Board of findings in May 2007
- 🌐 CAISO wanted mechanism to reduce the decline rate
- 🌐 CAISO goal:
 - Implement penalty that would be steep enough to deter declines yet light enough to keep participation in the market and minimize impact on pricing
 - Minimize implementation impact
- 🌐 CAISO initiated Stakeholder process Fall 2007

Proposal

- Charge for each decline based on a percentage of the bid
 - 50% * (MWh * Pre-Dispatch Price)
- “Threshold” amount of declines allowed before penalties kick in (greater of 10% or 300 MWh)
 - Penalty assessed on an amount that exceeds the “threshold”
- Charge assessed on a monthly basis
- Implementation in spring 2008

Stakeholder Process

- 🌐 Stakeholder process started on October 10
 - Several options presented
- 🌐 Straw proposal published on November 7 based on initial feedback
- 🌐 2nd straw proposal published on November 30 based on additional feedback
- 🌐 Feedback
 - Broad agreement that the CAISO should implement a mechanism to deter declines
 - General consensus for proposal
 - Some objection to the threshold level – 10% is too high