



Decision on MRTU Price Cap and Floor

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Management recommends adopting price cap and floor on all MRTU markets.

- Why a price cap and floor on MRTU markets?
 - Prudent action for start of MRTU markets
 - Approved bid caps limit what participants can bid, but do not cap the resulting prices
 - “Safety cap” limits financial impacts of extreme prices
 - What could cause extreme prices?
 - Changes in market participant behavior
 - Unusual grid or market circumstances



Management recommends price cap and price floor at +/- \$2500.

■ Why \$2500?

- Prices outside range of +/- \$2500 expected to be rare
 - Market simulations show day-ahead prices rarely outside this range
 - Five-minute real-time prices, at specific locations, expected to be more variable
- Cap range is high enough to allow proper and needed market price signals
- Prices at cap level will have limited cost impact when they do occur – buyers are charged:
 - Hourly averages of 5-minute interval prices
 - Large-area geographic averages of locational prices



Proposed cap will not compromise diligence of investigation of extreme prices.

- Why Management will continue to assess the ongoing need for (and level of) the cap and floor during the first year of MRTU operation.

