



Briefing on 2009-2011 Market Initiatives Release Plan

Margaret Miller
Senior Market Design and Policy Specialist

Janet Morris
Director, Program Office

ISO Board of Governors Meeting
General Session
September 10-11, 2009

The ISO existing market design should be enhanced with new elements:

- Short timeline from bid to bill
- Standardized and tradable resource adequacy capacity product
- More demand response participation
- Reserve shortage scarcity pricing mechanism
- Efficient dispatch of generators with forbidden operating regions
- Explicit financial arbitrage and hedging mechanism

Planned market enhancements deliver new functionality and provide key market and operational benefits.

- Payment Acceleration
 - Reduces credit risk
 - Shortens payment timeline
- Standard Capacity Product/ancillary services must offer obligation
 - Facilitates contracting and trading of capacity
 - Prevents AS withholding from resource adequacy resources
- Proxy Demand Resource
 - Increases demand response participation
 - Meets FERC regulatory requirements
- Scarcity Pricing
 - Provides enhanced price signals triggered during reserve shortages
 - Stimulate participation in demand response

Planned market enhancements deliver new functionality and provide key market and operational benefits.

- Multi-Stage Generator Modeling
 - Addresses deferred implementation of real-time enforcement of forbidden operating regions
 - Ensures more accurate price signals
- Participating Load
 - Provides ability for demand response to schedule demand and bid load curtailments as an integrated bid
 - Provide comparable treatment to a generator in the ISO markets
- Convergence Bidding
 - Allows all market participants to take a position in real-time to hedge or arbitrage price differences
 - Converges prices between day-ahead and real-time

The market initiatives roadmap process to prioritize future market initiatives is currently underway.

- Ranking process will be completed in September
- Results will feed into corporate strategic planning process resulting in release planning and implementation post 2011

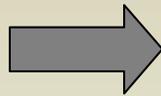
Release Plan

Our release plan derives from the strategic plan, FERC orders, stakeholder input and lessons learned.

1-2 years	Multi-Stage Generating Unit Modeling	Convergence Bidding	Credit System Enhancements	Participating Load Refinements	
Up to 1 year	Post Summer Market Enhancements	Payment Acceleration	Standard Capacity Product	Proxy Demand Resources	Scarcity Pricing
Current	The ISO Markets are based on the redesigned platform				

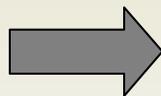
Based on lessons learned, our release plan reduces risk in implementing major ISO projects.

Under-
estimation of
full effort



- Conduct full business impact assessment
- Review requirements with key vendors

Incomplete
and changing
requirements



- Trace business requirements with tariff
- Enforce tight governance process
- Ensure rigorous change management

Resource
constraints



- Build committed resource plan
- Plan longer term with key vendors

Delivery and deployment phases benefit from the planning investments and other process improvements.

Vendor
delivery



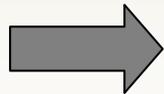
- Contract fixed terms
- Involve vendor in requirements

Adherence
to schedule



- Complete testing prior to market simulation
- Ensure that scope, schedule, budget and quality measures are met

Market
participant
readiness



- Allow market participants time to design and test their systems

The market initiatives release plan results from detailed implementation planning with stakeholders.

