



California ISO
Your Link to Power

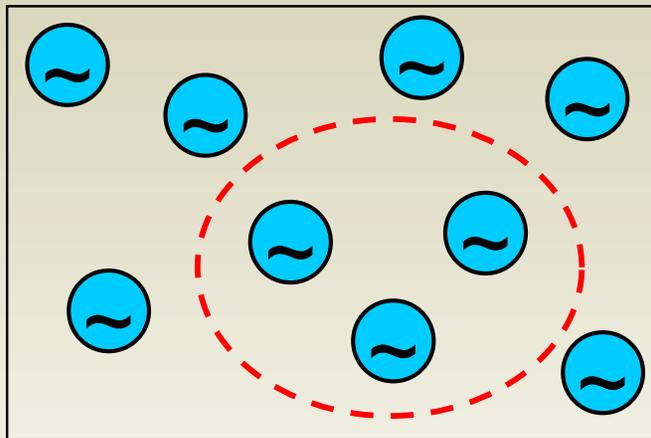
Decision on Modifying Rules Limiting Supply Bid Pool in the Integrated Forward Market

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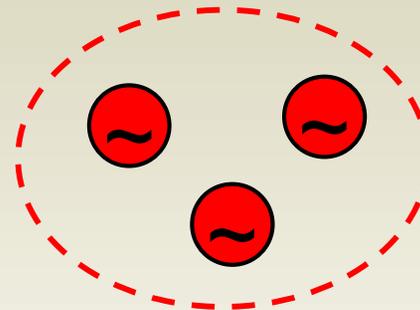
Board of Governors Meeting
General Session
September 10, 2009

Current rule limits the resources available to IFM.

All CAISO Resources Bid-in

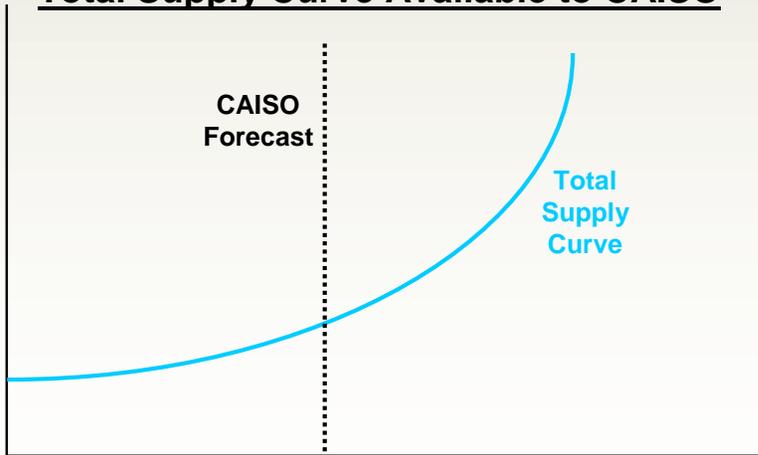


Only the Resources Needed to Clear CAISO Forecast

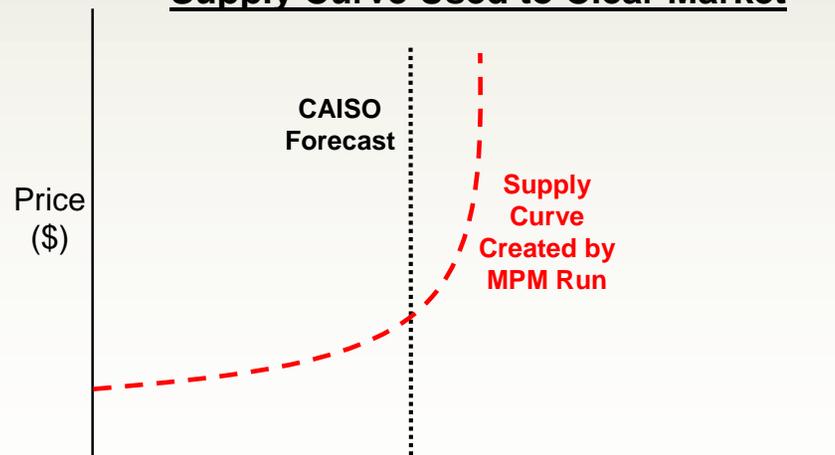


- reviewed for local market power
- used to clear the market and set market prices

Total Supply Curve Available to CAISO

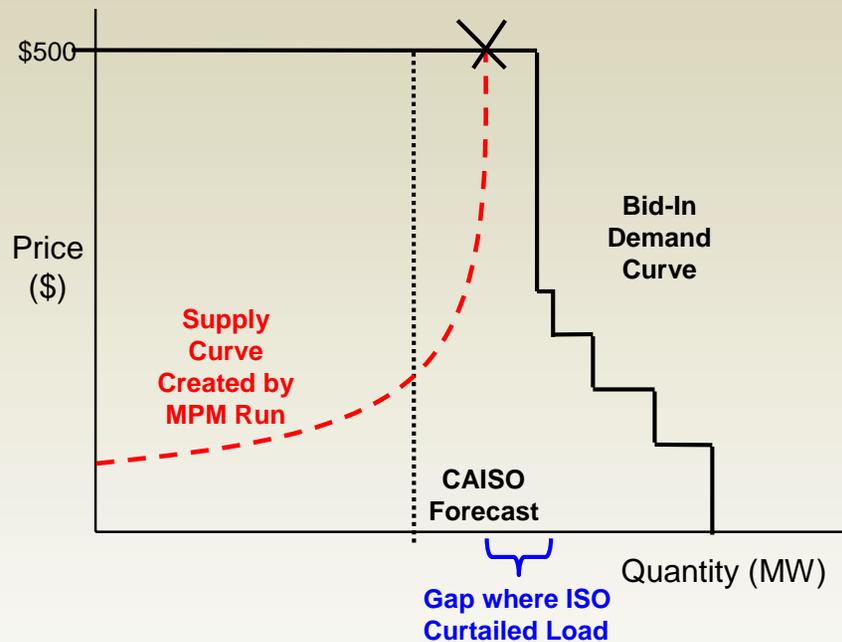


Supply Curve Used to Clear Market

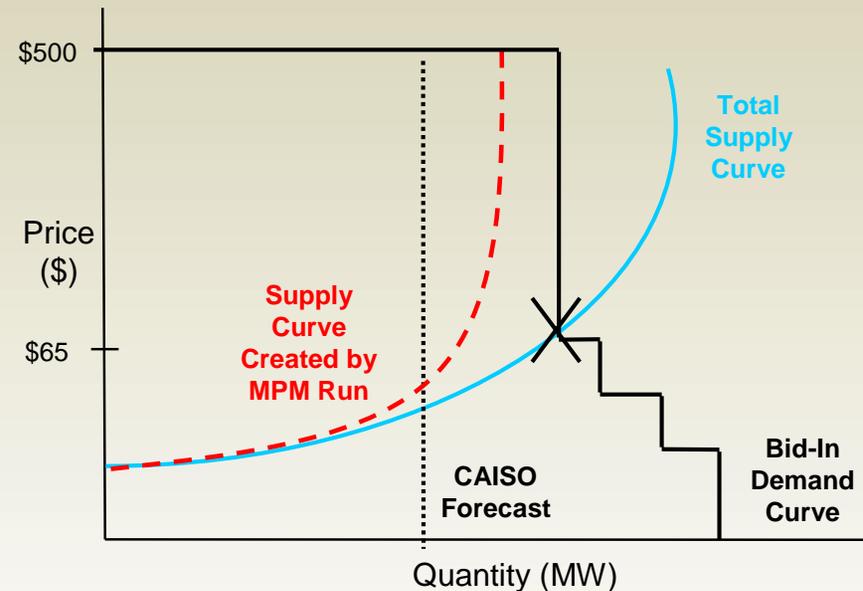


If bid-in load exceeds ISO forecast scarcity occurs.

IFM Bid-in Demand Curve met by MPM Supply



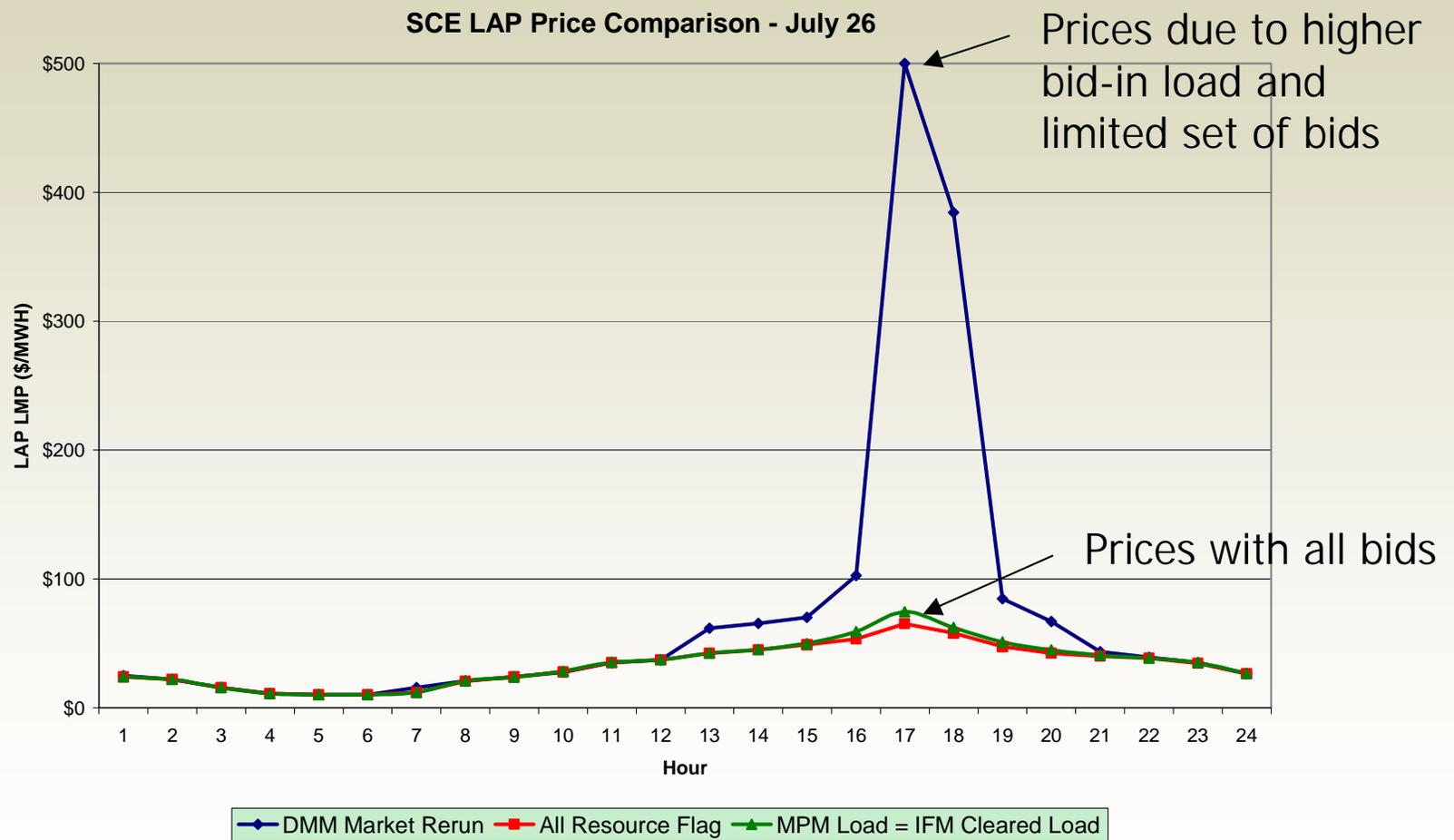
IFM Run with MPM Supply Compared to Total Supply Available



Problem 1: If bid-in demand exceeds ISO forecasted demand, the market may not clear or will clear at increased price

Problem 2: Resources not making the “MPM cut” will not be awarded or participate in pricing in the integrated forward market

July 26 case was example of bid-in load higher than ISO forecast producing higher prices.



The ISO considered four alternative approaches to address the limit on the IFM supply bid pool issue.

- Approach 1 - Use all bids in the IFM
- Approach 2 - Use all bids conditionally in the IFM
- Approach 3 - Use the greater of the ISO demand forecast and bid-in demand in the Local Market Power Mitigation (LMPPM)
- Approach 4 – Use bid-in demand curve in the LMPPM

Management recommends eliminating the limit on the IFM supply pool (Approach 1).

- The proposal has the following benefits
 - Allows all bids to be available for the IFM
 - Avoids artificial supply deficiency when bid-in demand is significantly higher than the ISO forecast demand
 - Reduces undue market price volatilities
- While
 - Maintaining effective local market power mitigation
 - Providing competition between mitigated and unmitigated bids in the IFM

Management requests approval of the proposal.

- Improved market performance
- Supported by majority of stakeholders
- Can be implemented quickly if approved by FERC