



Day Ahead Scheduling Requirement Compliance with MRTU Sept 20 Order

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**Market Surveillance Committee Meeting
February 13, 2007**



Background: Proposed A-72 Tariff Amendment

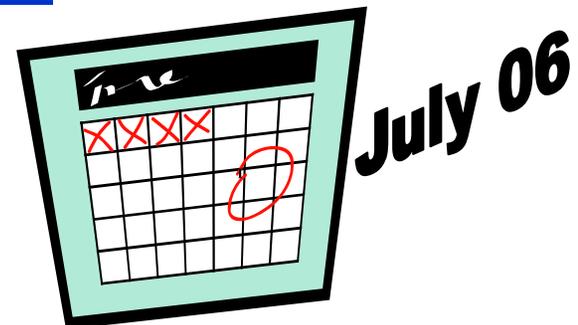
- **A-72 Requires 95% Scheduling of Forecasted Load on DA Basis**
- **DMM Presented Proposed Changes to BOG on Jan 25, 2006**
 1. **Reduce scheduling requirement to 75% during off-peak hours and 95% requirement retained for weekend hours 7-22**
 2. Allowable Deviation: Lower of 3 MW or 5% of SC load forecast
 3. Exemption for (up to six) \leq Maximum of 25 MW or 2% of SC load forecast
 4. Exemption for one violation of load forecast submission requirement per calendar month
 5. Clarify that scheduling requirement applies to Revised Preferred Schedules (submitted by 12 noon)
 6. Exemption for SCs serving < 1 MW of peak load

September 21 MRTU Order

- In P 452 of the Order, FERC states,

“We agree with commenters that Release 1 must include provisions to offset LSEs’ incentive to underschedule in the day-ahead market. Accordingly, we direct the CAISO to develop and file interim measures, no later than 180 days prior to the effective date of MRTU Release 1 to address the potential economic incentive for LSEs to underschedule in the day-ahead market until the successful implementation of convergence bidding has been achieved.”

- Compliance filing in July 2006



Scheduling Requirement in MRTU?

Rationale Presented by FERC and Market Participants:

- LSEs could bid their load into the day-ahead market and specify a ceiling price above which they will not pay in the day-ahead market.
 - Not adequate incentives for load to schedule accurately in the day-ahead market.
 - Lack of convergence bidding could provides LSEs with monopsony power that will allow them to strategically underschedule and artificially suppress the day-ahead energy price.
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Today vs Tomorrow

Today

- No Formal Day Ahead Energy Market
- Balanced Schedule Requirement – SCs submit forward schedules that balance their supply and demand

MRTU:

- No Longer a Balanced Schedule Requirement
- SCs Submit Bids or Self Schedules
- Bid in Supply and Load into CAISO market, and CAISO optimizes dispatch of supply to meet demand and constraints
- RUC - To ensure sufficient resources are committed in the day-ahead and are available for real-time dispatch. Costs under RUC are allocated to those entities that have day-ahead scheduled load less than actual load.

Market Design Questions for The MSC

MSC Input

How will the current DA Scheduling Requirement translate into MRTU construct?

Are there other measures that could be implemented to address the potential economic incentive for LSEs to underschedule in the day-ahead market until the successful implementation of convergence bidding?

CAISO will Begin Working with Stakeholders in Second Quarter 2007 to Develop Proposal for New Scheduling Requirements