

Dispatch/pricing discrepancies and bid cost recovery (BCR) for exports and convergence bids (CBs)

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Intertie dispatch/pricing issue – Problem

Definition for specific condition

- Import/export bids are being struck (scheduled) at prices inconsistent with their bid curves or are not being dispatched when their bid curves and the clearing price suggested they should have been
 - E.g., An exporter bids to take energy from the CAISO at not more than an - \$8/MWh, gets scheduled for 100 MW at a price of + \$20/MWh, meaning that the party is harmed by \$28/MWh
- There are a number of drivers causing dispatch and pricing discrepancies
 - Differences in models used, operator intervention, etc.
 - Different Set of bids and different penalty prices used for scheduling and pricing runs
- No bid cost recovery is provided for exports or for virtual bids

Dispatch/pricing issue – other factors



- Dispatch/pricing distortion creates risk
 - Has been up to several dollars per MW, but is theoretically unbounded but for price caps
- Particularly affects physical exports important to manage spring conditions
 - (There is bid cost recovery for physical imports but there is no bid cost recovery for exports)
- CA metrics reporting on impacts to date may not reflect impact to liquidity that could result

Dispatch/pricing issue – What to do?

- Can we discover a fundamental solution to root causes not yet identified?
 - Probably a more complex/long run issue
 - For example with CB issue range of options to “fix” problem seems limited (different prices for virtual bids and physical bids, don’t enforce physical constraint)
- Hedge/mitigate consequences with bid cost recovery
 - General Question: Should any market participant ever be expected to be financially responsible for market outcomes outside of their bid curves?
 - Seems like bad policy
 - Might include some design choices; general range of choices include:
 - Full hourly BCR for all physical and virtual bids? Or some risk containment policy at which point a BCR kicks in?
 - Who funds?
- Certainly WPTF does not want to wait for a year or more to resolve this

Discussion



We look forward to your thoughts and a lively discussion