

Cost Allocation for Convergence Bids



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Review of 11/7 Proposal

- System wide net of virtual demand and virtual supply to determine virtual supply or virtual demand obligation
- If system wide net resulted in positive virtual demand than SCs with net virtual demand obligation would pay a portion of IFM Tier 1 Uplift
- If system wide net resulted in positive virtual supply than SCs with net virtual supply obligation would pay a portion of RUC Tier 1 Uplift
- Obligation allocated to SCs pro-rata based on their net virtual transactions

Proposed Refinements

- Eliminate the initial system wide netting calculation that would determine whether there would be a virtual demand or a virtual supply obligation.
- Allocate IFM Tier 1 Uplift to SC with a virtual demand obligation only in the case where virtual demand plus physical demand exceeds the CAISO Forecast
- SCs obligation based on the pro-rata share of the total obligation as determined by the total (gross) cleared virtual demand or the total (gross) cleared virtual supply bids

No proposed changes to

- Virtual demand to pay portion of IFM Tier 1 Uplift
- Virtual supply to pay a portion of RUC Tier 1 Uplift
- Methodology to calculate virtual supply obligation
- Other uplift charges

Example 1

CAISO Forecast = 35,000MW

IFM Results

- Physical Demand = 28,000 MW
- Virtual Demand = 5,000 MW
- Physical Supply = 27,000 MW
- Virtual Supply = 6,000 MW

virtual demand obligation = 0

virtual supply obligation = 1000MW

Example 2

CAISO Forecast = 35,000MW

IFM Results

- 🌐 Physical Demand = 33,000
- 🌐 Virtual Demand = 4,000
- 🌐 Physical Supply = 30,000
- 🌐 Virtual Supply = 7,000

virtual demand obligation = 2,000 MW

virtual supply obligation = 3,000 MW

Example 3

CAISO Forecast = 35,000MW

IFM Results

- Physical Demand = 30,000
- Virtual Demand = 5,000
- Physical Supply = 32,000
- Virtual Supply = 3,000

virtual demand obligation = 0

virtual supply obligation = 0

Next Steps

- Stakeholder comments requested by 2/29 to convergencebidding@caiso.com
- Stakeholder conference call to discuss cost allocation proposal week of March 3rd
- Revised proposal March 28th