



California ISO
Your Link to Power

Load Granularity Refinements

Gillian Biedler

Senior Market Design & Policy Specialist

Market Surveillance Committee Meeting

October 8, 2010

Objectives for this discussion

- Background and context
 - Additional benchmarking against other ISO/RTOs
 - Stakeholder feedback
- Provide some analysis of price divergence
 - Used CRR/PDR sub-LAPs in comparison to default LAPs
- Targeted benefits
 - How might these benefits most efficiently be achieved?
- Questions for the MSC

Background

- Load pricing design under the original MD02 filing was nodal
- Revised design filed with FERC in 2006 used 3 default LAPs
- September 21, 2006 Order
 - LAP-level bidding, scheduling and settlement for load acceptable initially
 - Increased granularity in Release 2, i.e. 3 years after start of the LMP market = April 1, 2012

Additional Benchmarking...

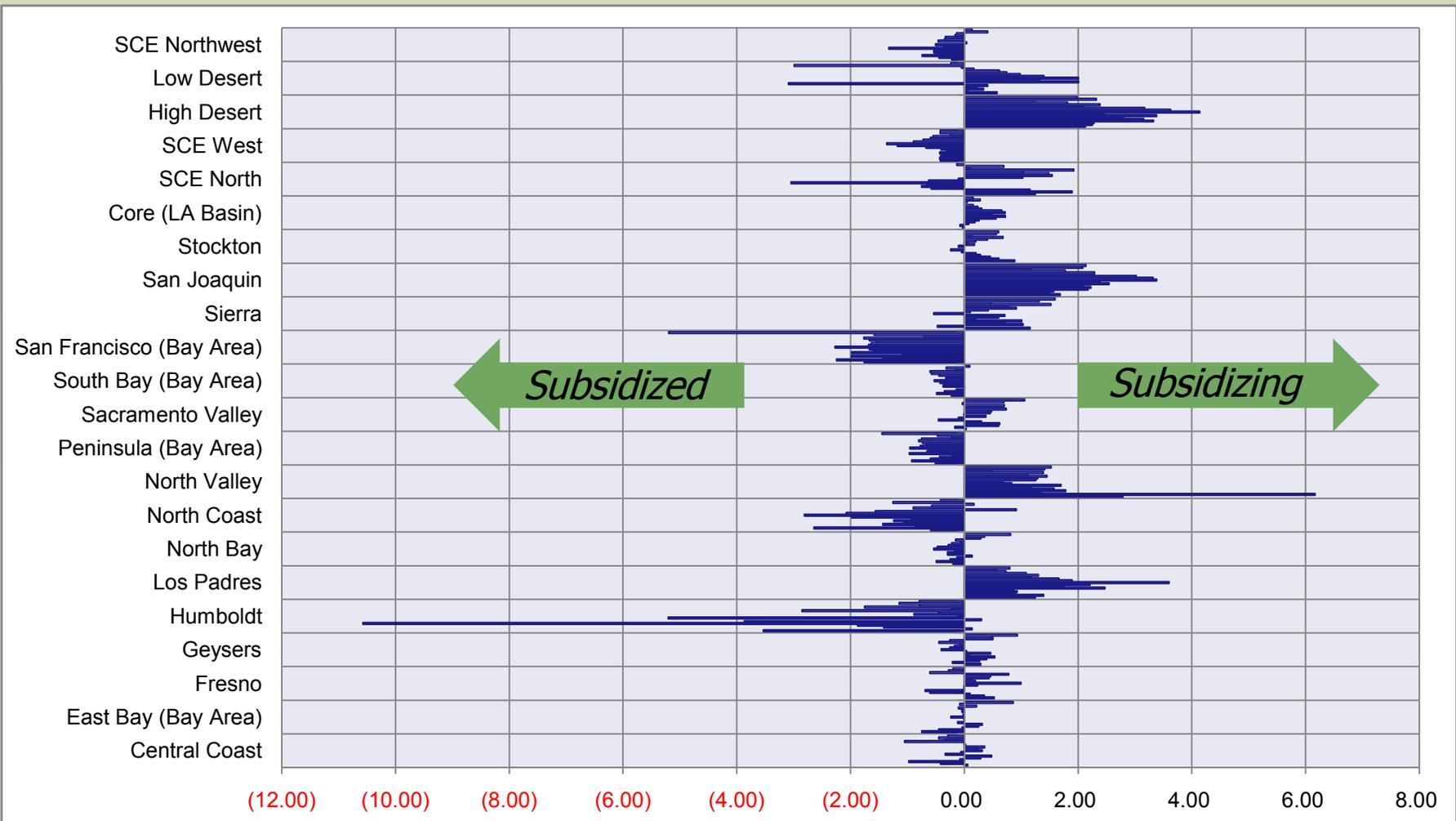
Has FERC ordered load zone disaggregation in other ISOs or have those markets undertaken it on their own initiative?

- NYISO – directed to consider additional capacity zones, but not additional load zones
- MISO & PJM – they leave load zone determination to their participants, and provide nodal optionality
- ISO-NE – on their own initiative, they attempted to split one load zone to align with a proposed capacity zone

Stakeholder Feedback on the Issue Paper

- Analysis of costs as well as benefits
- Longer / delayed implementation timeline
- Analysis of convergence bidding and PDR data
- Efficacy of other market enhancements
- Information on disaggregation plans / mandates in other wholesale electricity markets
- Consideration of and coordination with state policy

Average On-Peak Prices: default LAP – sub LAP (April '09 through August '10)



How can we achieve the targeted benefits

Targeted Benefit	Default LAP Disaggregation	Other Enhancements
Accurate Price Signals	Physical load settles at a more granular level	Information release, convergence bidding
Demand Response	Increased incentives for demand response	PDR, Participating Load, retail-level programs
Consistent Settlement of Load and PDR	PDR and load zones at same geography	– n/a –
Improved Congestion Hedging	Smaller zones + consistency with load settlement → accuracy	Sub-LAP CRRs in annual tiers 2,3 and monthly tiers 1,2
Transmission Investment	– negligible –	Largely policy-driven
Improved DA solution	More accurate demand clearing in the IFM	LDF improvement initiative, convergence bidding

In the view of the MSC...

1. How significant are the price differences?
2. Do the price differences merit LAP disaggregation?
3. How efficient is LAP disaggregation in achieving the targeted benefits relative to the other enhancements?

Contact Information

Gillian Biedler

gbiedler@caiso.com

Desk: 916-608-7203

Mobile: 916-337-7485

Dave Timson

dtimson@caiso.com

Desk: 916-608-1134

Mobile: 916-802-4685