

Modifying the DEC Bidding Activity Rule on Day Ahead Schedules



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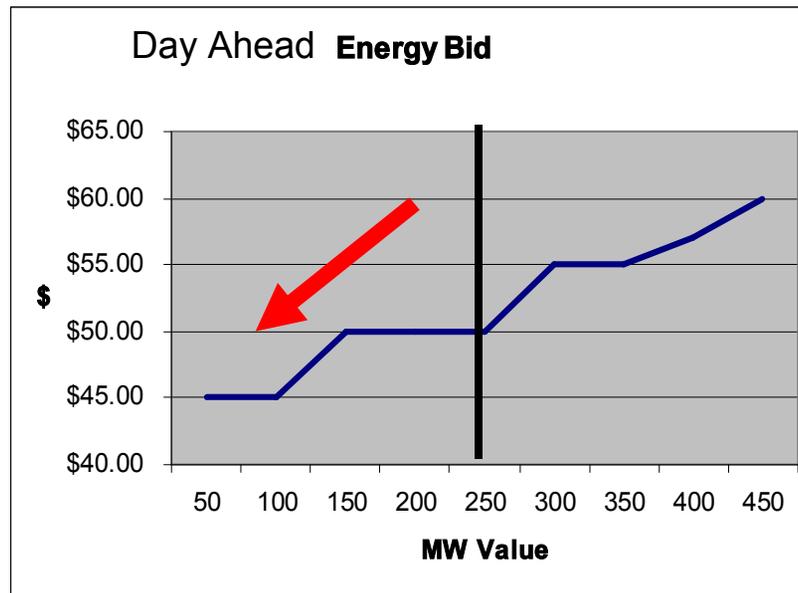
Market Surveillance Committee
General Session
February 8, 2008

Process for Resolving this Market Release 1A Issue

February 1	Issue Paper posted at: http://www.caiso.com/1822/1822931f287d0.html
February 8	MSC/Stakeholder Meeting
February 15	Stakeholder Comments Due: DWithrow@caiso.com
February 20	Straw Proposal to be posted
February 27	Stakeholder Conference Call
March 5	Stakeholder Comments Due: DWithrow@caiso.com
March 12	Final Proposal to be posted
March 14 (tentative)	MSC Opinion Finalized and Posted
March 26-27	Presentation to CAISO Board of Governors

What is the DEC Bidding Rule?

- Prohibits decremental Energy Bids in the HASP or Real Time Market from a Scheduling Coordinator (SC) whose bid cleared the Day Ahead Market.



- Intended to prevent DEC gaming when transmission constraints change after Day Ahead, but before the Real Time Market closes.

Why Modify the DEC Bidding Rule?

Potential Bid Insufficiency

- Lack of DEC Bids in Real Time Market could result in uneconomic adjustments at penalty price of \$-30/MWh.

Consistency with Convergence Bidding

- Virtual bids could make this DEC Bidding Rule ineffective.

Increased Flexibility for Market Participants

- Relaxing the rule may allow market participants to adjust their resources for valid business reasons.

Initial Options to Relax the DEC Bidding Rule?

Allow DEC Bids for a short period in the Real Time Market.

- Perhaps between the 1:00 and 3:00 p.m. the day before the next Operating Day (right after posting of Day Ahead Market outcomes.)
- DEC Re-bids would remain frozen through the Real Time Market.
- Short time period for DEC Re-bids would minimize gaming opportunities if transmission derates occurred.

Allow DEC Bids throughout the Real Time Market.

- So supply could re-bid from the Day Ahead Market publication through the close of the Real Time Market at TH-75.
- Gaming opportunities could be minimized by virtual bids that are liquidated in the Real Time Market.

Discussion Questions

-  *What are the concerns with DEC gaming opportunities after virtual bidding is allowed?*
-  *What is the best way to achieve efficiencies from a liquid market for Real Time DEC Bids without creating unreasonable risk or perverse incentives.*
-  *Should the DEC Bidding Rule be maintained, relaxed, or abolished?*

Questions, Comments & Concerns...

 Please send me your questions, comments and concerns.

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