



Potential Impact of PDR on Local Market Power Mitigation

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Illustration of Issue

Figure 1. HASP LMPM Runs

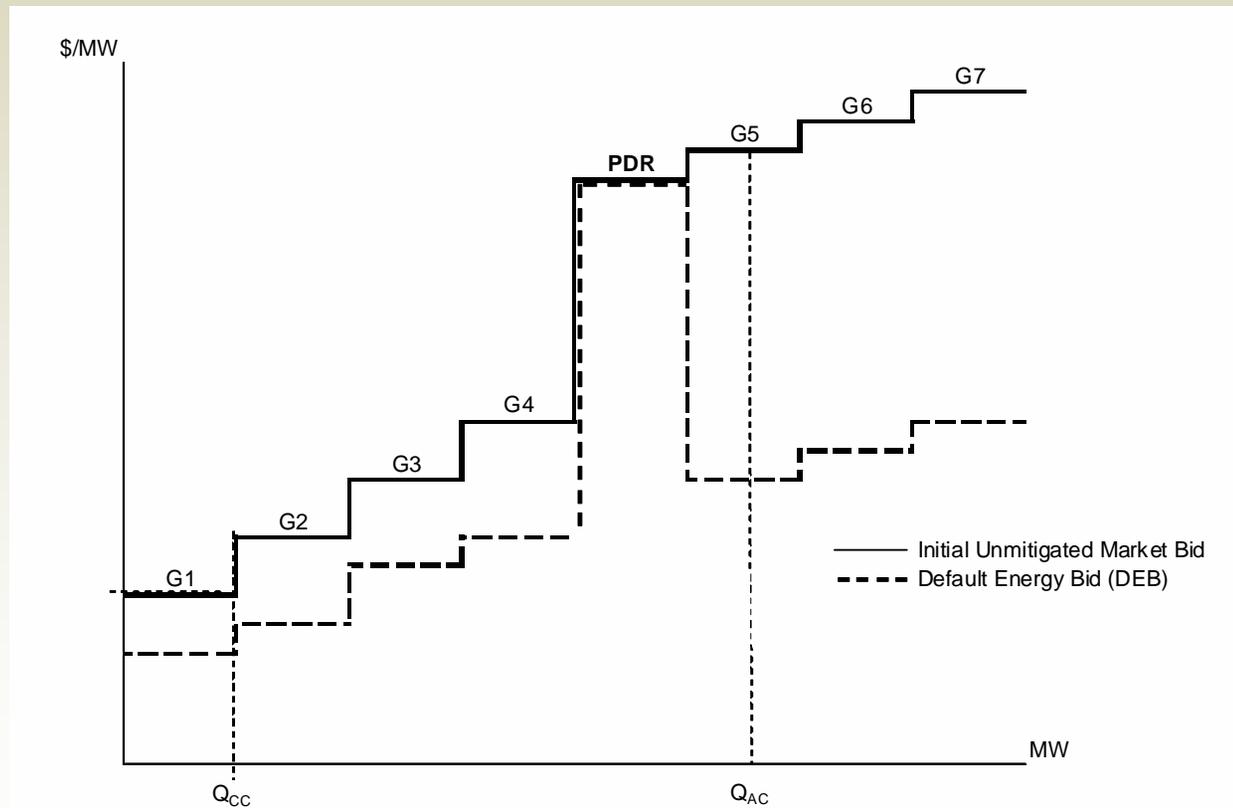
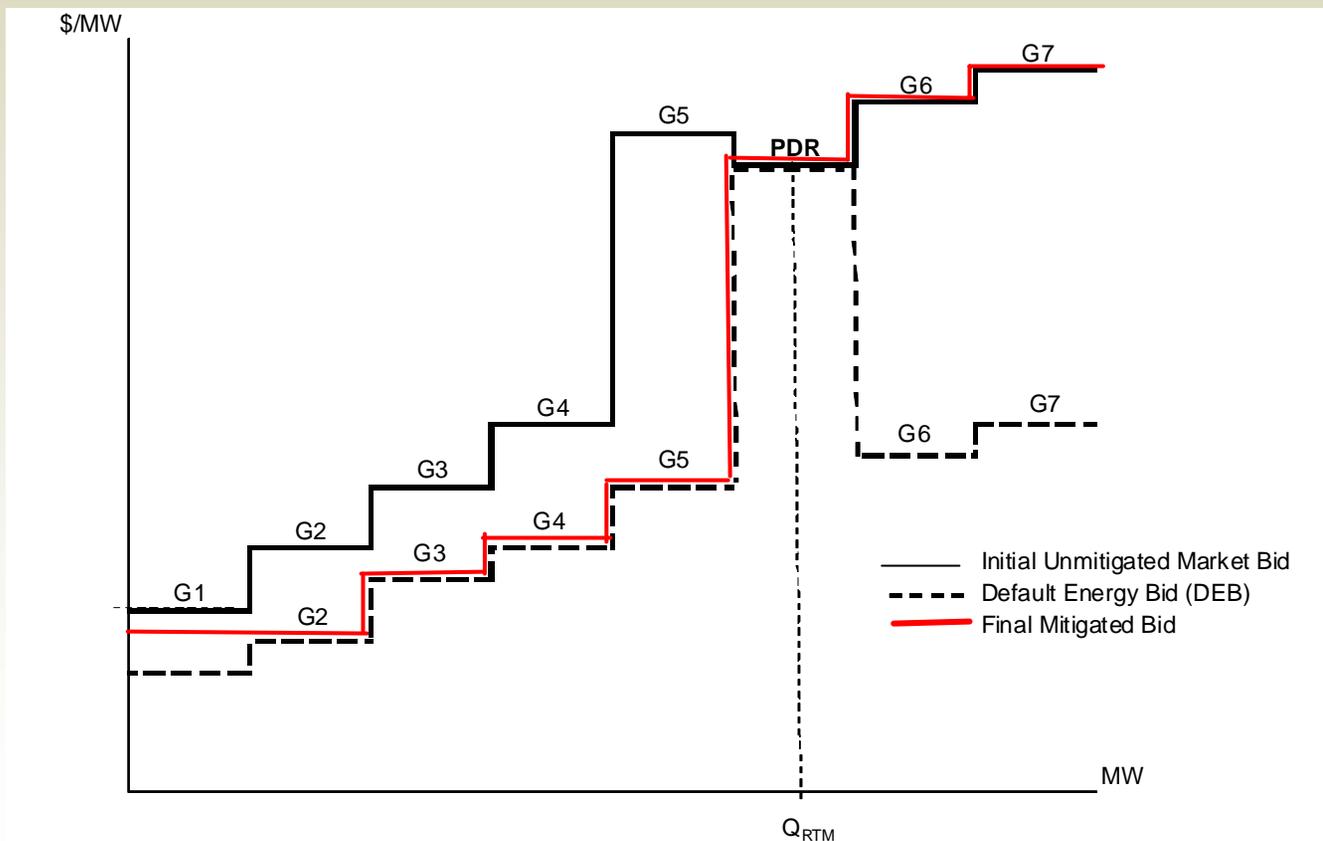


Illustration of Issue (Continued)

Figure 2. Real Time Market Outcome



Options

- **Option 1: Perform AC Run with Mitigated Bids**
 - DMM prefers this option, but ISO has indicated it would be complicated to implement at this time.
- **Option 2: Increase Load Forecast Used in AC Run**
 - May be a relatively “crude” tool for mitigating problem.
- **Option 3: Run AC Without PDR Bids**
 - Simple to implement
 - Effectively addresses problem
 - Still allows PDR to compete based on PDR bid price relative to true marginal cost of any available generation

Illustration of Option 3

Figure 3. HASP LMPM Runs Without PDR

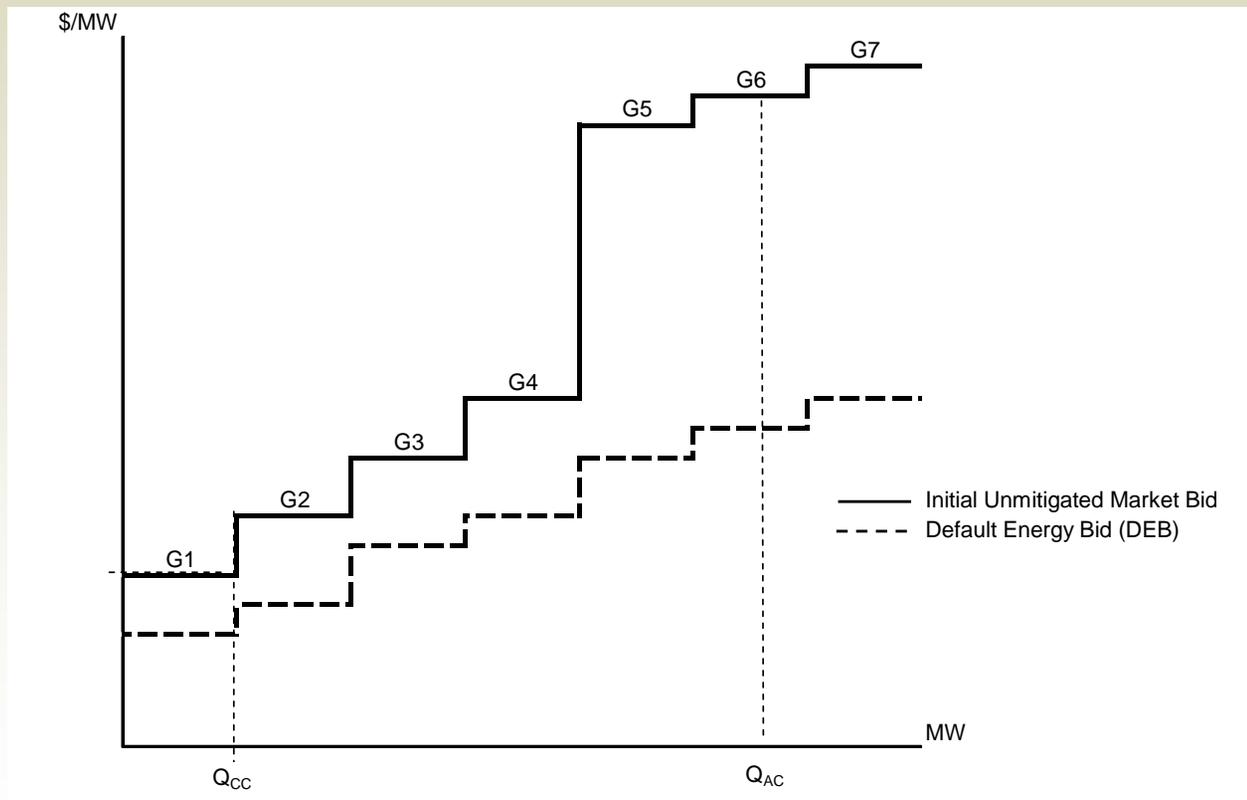
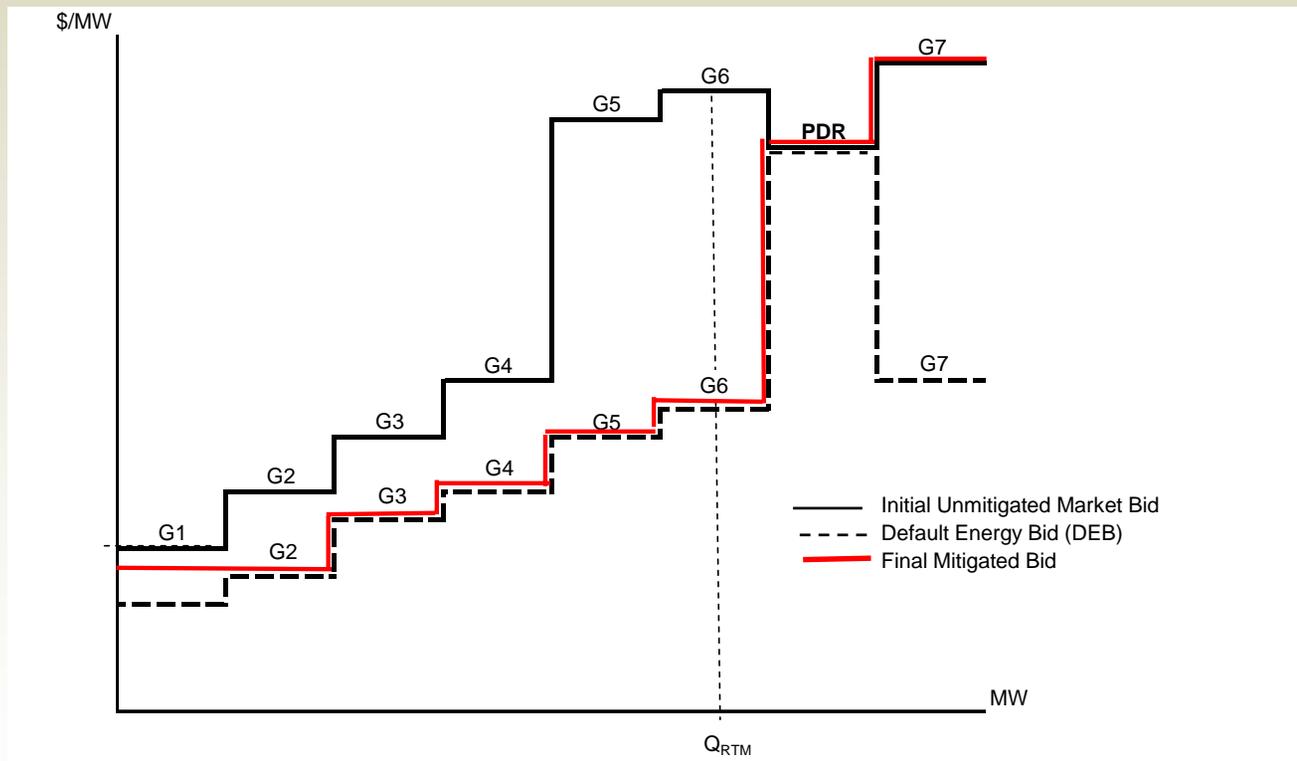


Illustration of Option 3 (Continued)

Figure 4. RTM Outcome (Without PDR in LMPM Runs)



Summary

- Option 3 may be effective short-term option for ensuring that LMPM is not undermined by PDR.
- Option 1 may be pursued on longer term by CAISO, but not on timeframe needed for PDR.
- If Option 3 is pursued, approval from Board would be sought at Feb 11-12, 2010 Board meeting.
 - Would be included in PDR tariff filing scheduled for mid-February
- Comments initially requested by Dec 15.
- Written comments on this issue requested by Dec. 22 to ehildebrandt@caiso.com