



Update on Changes to Bidding Start-Up & Minimum Load

ISO Market Surveillance Committee Meeting
July 16, 2009

Gillian Biedler
Senior Market Design & Policy Specialist
Market & Infrastructure Development

Unit commitment based on SU and ML has unintended consequences.

- The new ISO markets commit units based on their Start-Up and Minimum Load bids
- SU and ML bids are static for 6 months
 - Fuel-cost option linked to natural gas prices
 - Registered-cost option is a bid subject to the SU/ML bid cap
- Market software commits units to run at Pmin and then de-commits
 - Wear and tear on the units
 - Trouble recouping operating costs
 - Use of limited number of starts, emissions allowances

The ISO proposed a two-phased design change.

- Phase 1: change the restriction on updating the registered-cost value or opting for the fuel-cost option
 - Change from once every 6 months, to once every 30 days
 - Master File updates still subject to a lag of 5 to 11 days
- Phase 2: enable more frequent bidding of SU and ML, and add O&M
 - Modify SIBR to allow daily or hourly bidding of SU and ML
 - Implement a cap or dynamic mitigation of SU and ML bids
 - Incorporate an O&M component into the cost-based option

The ISO received feedback from stakeholders and the MSC.

- Stakeholder comments reflect support for Phase 1
- Eagerness for more frequent bidding, O&M component of cost-based option
- MSC expressed concern about efficacy, and potential increase in costs
- Based on MSC feedback, the ISO changed its Phase 1 proposal to include cap on the registered cost of 200% of the cost-based option

Next steps...

| | |
|-----------------------|--|
| June 17, 2009 | Presentation to stakeholders and the MSC |
| June 24, 2009 | Stakeholder comments due |
| July 20, 2009 | Short-term proposal to BOG for approval |
| July 23, 2009 | Revised proposal including stakeholder and MSC comments posted |
| July 30, 2009 | Conference call |
| August 6, 2009 | Stakeholder comments due |
| August 13, 2009 | Final proposal posted |
| September 10-11, 2009 | Longer-term proposal to BOG for approval |

Questions, Comments, Concerns & Compliments...

Gillian Biedler

gbiedler@caiso.com

Desk – 916.608.7203

Mobile – 916.337.7485