



CALIFORNIA ISO

# **Settlement for Pre-Dispatched Inter-tie Bids**

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**Market Surveillance Committee Meeting  
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# Overview

- FERC approved “pay as bid” on April 7, 2005 effective date of March 25, 2005 (sunset date: Sept 31, 2005)
- Various “medium-term” options further assessed as part of stakeholder process
  - Current RTMA and settlement systems will be replaced by HASP when MRTU implemented (Feb. 2007)
- Today, DMA asking for MSC comments/recommendation on option(s) for medium-term (Sept 31, 2005 - Feb. 2007/MRTU)
- Further discussion/decision on longer-term options will occur as part of MRTU/HASP proposal

# A66 Request for Rehearing/Clarification

On May 7, CAISO filed A66 Request for Clarification/Rehearing:

- Informed FERC that Pre-dispatch Market Clearing Price option could not be implemented until spring 2006 (approx 1 year before HASP/MRTU)
- Requested clarification that “pay as-bid” could be considered as medium-term option until MRTU (Feb 2007)
- Requested rehearing so that “pay as-bid” would not be replaced by “bid or better” on Sept 31, 2005 if not other action approved by FERC

*Response from FERC no due until July 7, 2005*

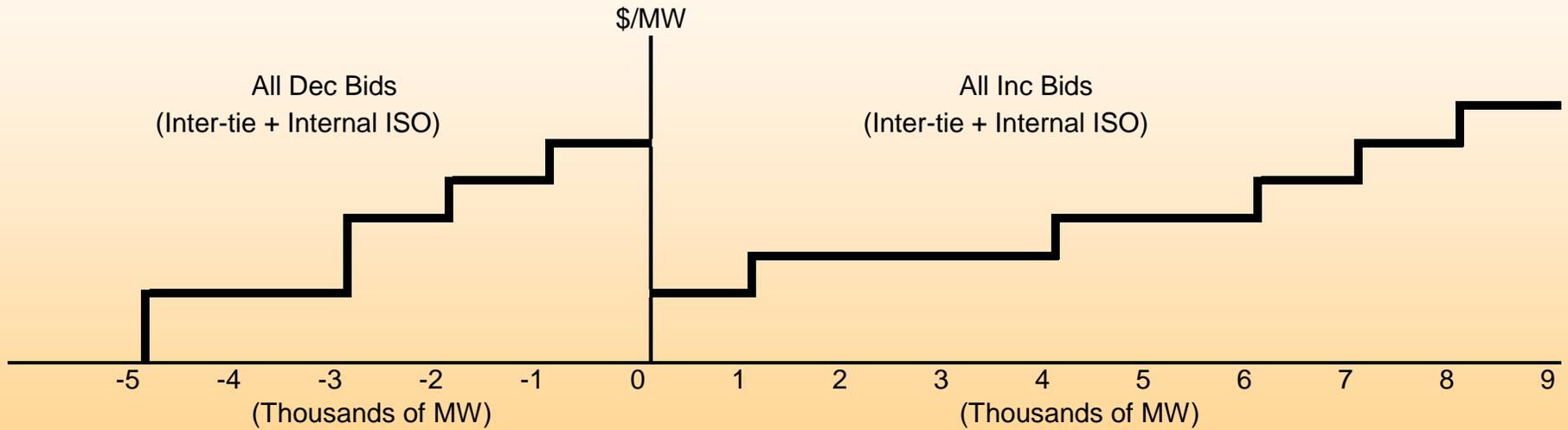


# Longer-Term Options Under Consideration

- Option 1a-c: Settle pre-dispatch based on pre-dispatch MCPs
- Option 2: Pay and charge pre-dispatch as bid (current short term solution)
- Option 3. Bidding rule prohibiting submission of INC and DEC bids with overlapping prices for imports
- Option 4. Settle uplift payments on net of export/import supplemental energy quantities by each SC
- Option 5: Pre-dispatch interties bids based only on ISO system demand/do not clear all overlapping INC and DEC bids
- Option 6: Settle pre-dispatched interties at 5-minute real-time MCP (with no bid-cost recovery mechanism)
- Option 7: Settle energy pre-dispatched for ISO system need using “bid or better”, then clear market based on pre-dispatch MCP (BPA)

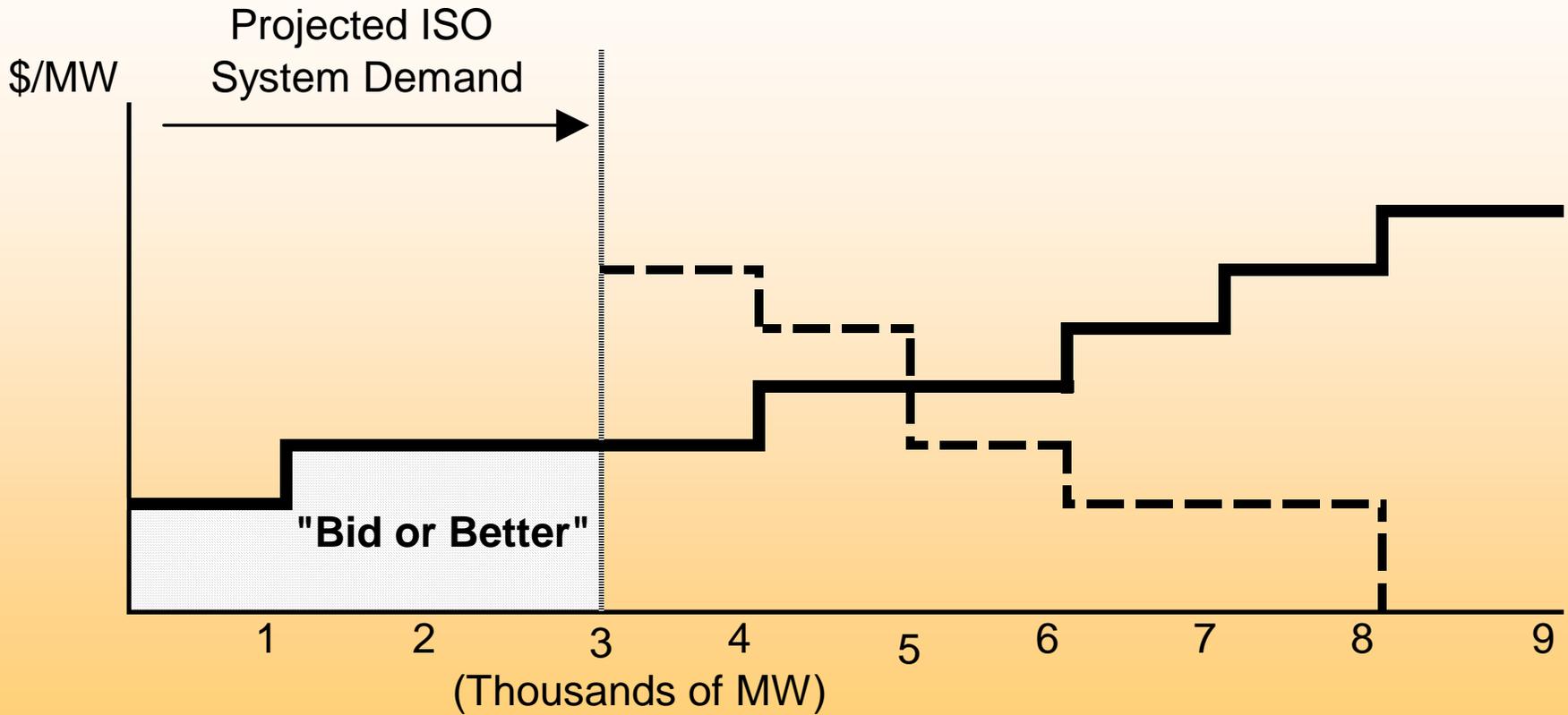


# Option 7 (BPA proposal) Slide 1



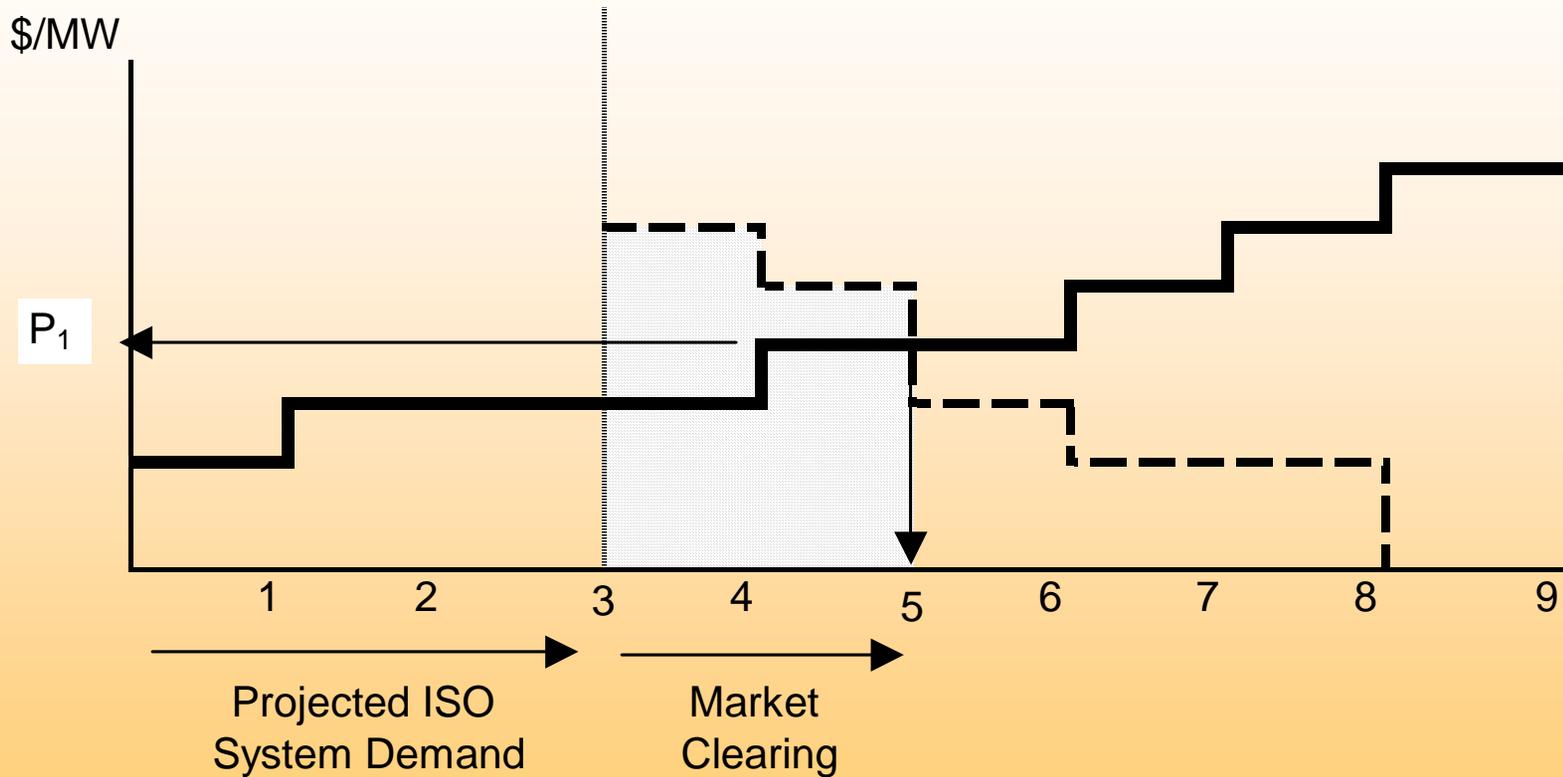


# Option 7 (BPA proposal) Slide 2





# Option 7 (BPA proposal) Slide 3





# Options 1 and 2

## Option 1 (Pre-dispatch MCPs)

- Potentially more efficient bidding than “as-bid” due to incentive to bid marginal costs
- More consistent with current MRTU HASP design
- Favored by FERC?

## Option 2 (as-bid)

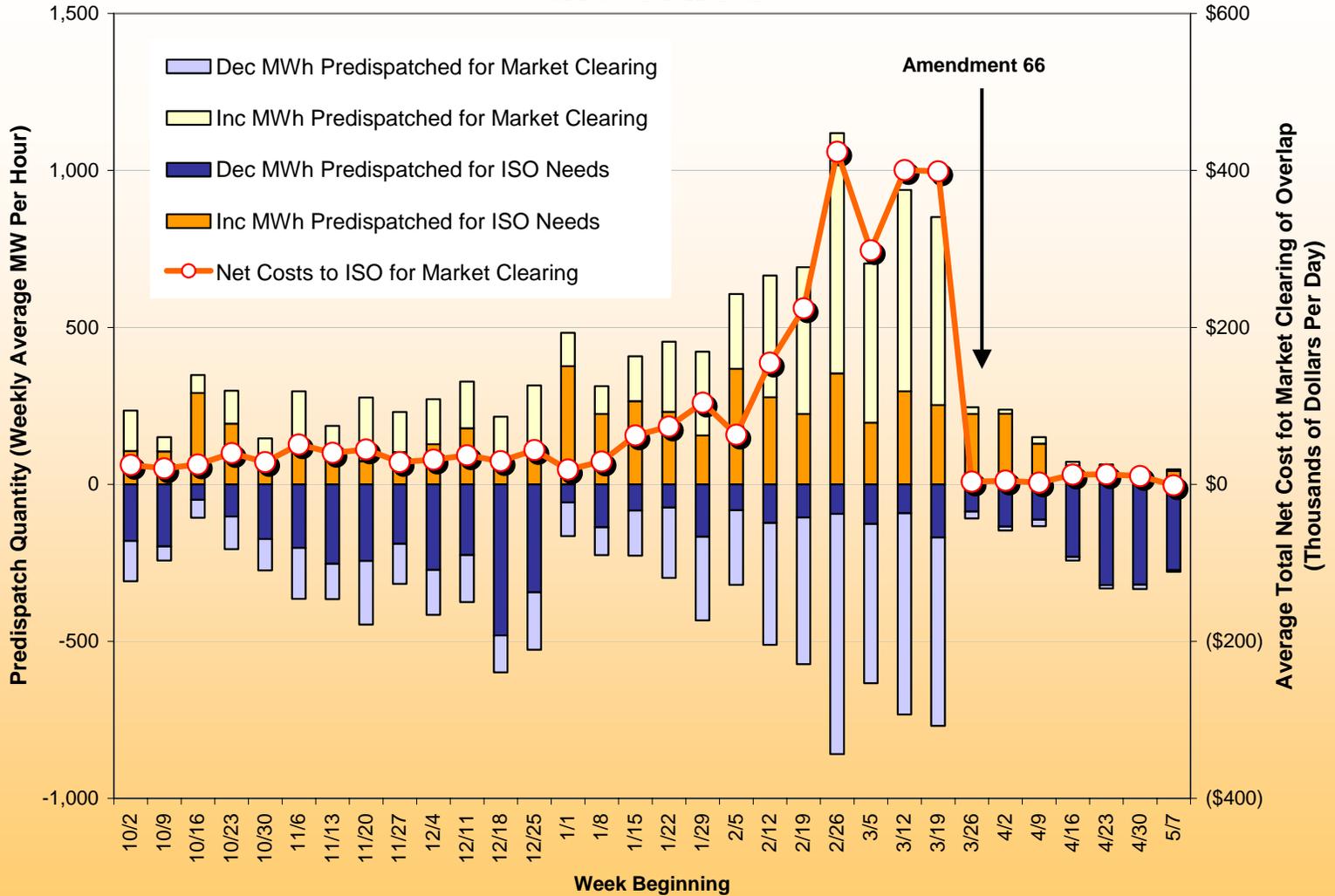
- Currently performing well
- Would avoid cost/resources of making system modifications that would be “thrown away” after ~ 1 year
- May be “lowest risk” in terms of unforeseen market and implementation problems



# Recent Market Performance Under As-bid Settlement Rule

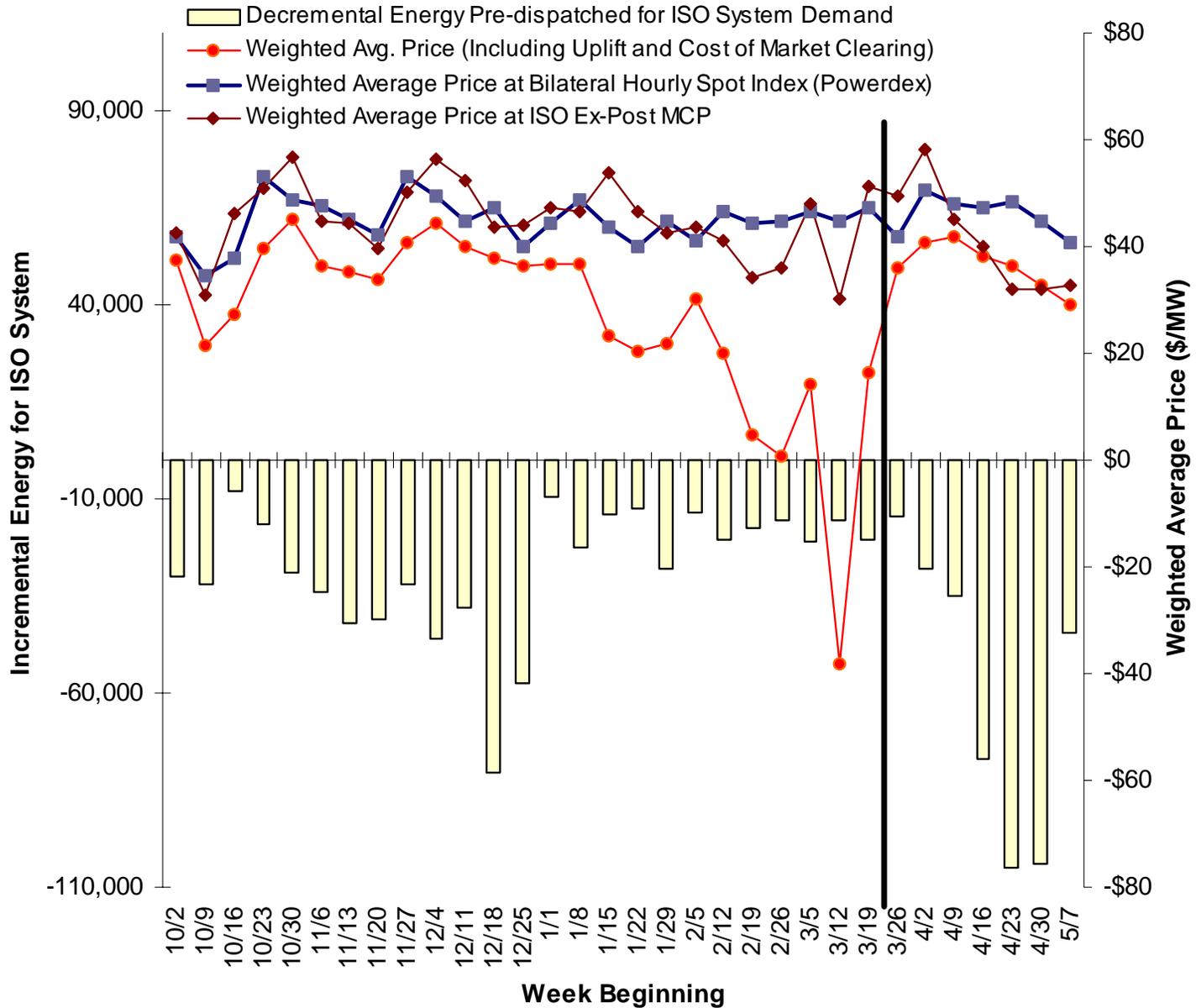


# Figure 1. Average Hourly Volume of Bids Pre-Dispatched by the CAISO





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# Figure 6. Inter-Tie Bid Quantities and Prices for Incremental Energy

## Hourly Averages, Weekdays Only

