

Market-Based CPM Replacement

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Market Mechanism

- CAISO, based on joint agency agreement and FERC commitment, has offered to develop a market-based procurement mechanism
- CAISO also needs to find replacement CPM mechanism

Market Mechanism requires addressing design aspects as have other ISOs have

- What drives demand?
 - Auction mechanism would be much more effective with some level of LSE procurement
- If demand curve is to be used, that will require full vetting
- Other administrative measures also need to be addressed (price floors/ceilings)

Other Capacity Auction Considerations

- Monthly and annual process would have the most liquidity
- Generic capacity would also be quite liquid
- For a CPM replacement, CPM calls have been for more narrow needs
 - May be more challenging to satisfy through auction

Where does this leave us?

- We must get serious in process to explore necessary attributes of any auction-type market solution
- It is unrealistic to expect that a successful quasi-market solution could be implemented
- There is a natural conundrum regarding wanting a market-based replacement for narrow CPM calls
 - Addressing this sooner would be better than later