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Briefing on FERC Order No. 831 – Import Bidding and Market Parameters and decision on advisory role

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FERC Order No. 831 required ISO/RTOs make compliance filing to raise energy offer caps to $2,000/MWh

- Verify generator costs for bids above $1,000/MWh before the market run to be eligible to set energy prices
  - Did not require verification rules for import or virtual bids above $1,000/MWh
- ISO requested FERC defer implementation of 831 compliance filing until completion of this initiative and implementation of the resulting enhancements
  - Implementation scheduled for Fall 2021

This initiative addresses two topics related to the ISO's compliance with FERC Order No. 831

1. Adjusting market constraint relaxation parameter prices to align with the increased energy bid cap

2. Price screening methodology for import bids greater than $1,000/MWh

FERC Order No. 831 proposal falls under the EIM Governing Body's advisory role

- Proposed changes would not change any market rules that are EIM-specific

- Market constraint relaxation parameters are not "specific to" EIM balancing authority areas

Proposal defines specific conditions for setting power balance relaxation parameter prices

- Parameter prices remain unchanged unless verified bid costs are above $1,000/MWh
- If the ISO verifies bid costs above $1,000/MWh, then
  - If shortfall ≤ threshold, prices set based on the highest-priced cleared bid
  - Else, if shortfall > threshold, prices set based on $2,000/MWh power balance constraint
- Threshold for each balancing authority area set at NERC area control error limits
  - Annual calculation based on NERC requirements

Power balance constraint threshold values scaled to the size of each balancing authority area

Balancing Authority Area	Threshold Values (MW)
AZPS	67.8
BANC – total	19.4
BCHA	77.2
CAISO	233.7
IPCO	25.8
NEVP	43.1
PACE	61.5
PACW	31.5
PGE	27.0
PSEI	24.0
SCL	26.7
SRP	38.8

Proposal provides additional protections for import and virtual bids greater than $1,000/MWh by using a maximum import bid price index

- Maximum import bid price index estimates energy prices outside of the ISO and EIM
  - Index calculated using the maximum of Palo Verde and Mid-Columbia bilateral on-peak hub prices
  - 16-hour hub prices shaped into hourly prices using ISO market prices from nearest high priced day
- Maximum import bid price index used with highest resource verified cost to evaluate import and virtual bids

Maximum import bid price index used to: 1) screen imports and virtual bids above $1,000/MWh and 2) limit resource adequacy import bids above $1,000/MWh

- Non-resource adequacy imports and virtual supplier bids greater than $1,000/MWh are allowed only under the following conditions:
  - The maximum allowable import bid index is greater than $1,000/MWh, or
  - The ISO has verified a specific resource's cost to be greater than $1,000
- Resource adequacy import bids above $1,000/MWh reduced to greater of:
  - highest resource specific verified cost
  - maximum allowable import bid index, or
  - $1,000/MWh

Stakeholders generally support proposals related to the ISO's compliance with FERC Order No. 831

- California IOUs, EIM Entities, DMM, and MSC generally support pricing proposal
- Suppliers and WPTF do not support pricing threshold and believe power balance constraint should be $2,000/MWh all of the time under FERC Order 831 implementation
- CPUC believes the ISO should cost verify all import bids
- Some market participants have requested that the ISO take on a scarcity pricing initiative

Management recommends EIM Governing Body support FERC Order No. 831 proposal

- Provides for appropriate shortage pricing levels under the FERC mandated $2,000/MWh bid cap

- Provides additional protections for import and virtual bids above $1,000/MWh
  - Ensures accepted import bids are aligned with bilateral market conditions
  - Does not discourage imports from bidding into the ISO market during tight supply conditions