

Recommendation on Changes to Control Action Operating Reserve

Market Pricing Working Group
June 10, 2005



- **Changes to recommendation since last meeting:**
 - **Revised CAOR offer prices for the last two 200 MW blocks. Offer prices are now:**
 - \$30, \$50, \$75 and \$100
 - **Added recommendation for a review of CAOR offer prices after one year**

- **Disagreement with the recommendation at the last meeting was based on the unknown price impacts of the recommendation, since the previous simulations had not included a change to the offer price of the existing 400 MW.**
- **The majority of those opposing the recommendation agreed to accept the revised proposal, if simulation results indicated little or no increased price impact.**

- **Two new simulations were requested with offer prices as follows:**
 - \$30, \$30, \$75, \$100
 - \$30, \$50, \$75, \$100
- **Other assumptions:**
 - Dispatchable loads can set price under shortage conditions
 - Price impact is average \$/MWh for all of 2004

- **While doing the new simulations, there was an error discovered in the original simulation results.**
- **Not a problem with the simulator tool, but rather in the analysis of the results.**
- **Price impacts are actually higher than previously reported**

- **The previously reported 0.11\$/MWh average price impact for adding 400 MW of CAOR is now on the order of 0.25\$/MWh.**
- **Changing the existing 400 MW of CAOR (two blocks of 200 MW at \$30 and \$50) results in an additional 3 to 5 cents/MWh average price impact.**
- **We will continue to finalize the simulation results, and if there are significant changes from this, we will bring it back to this group.**