

Broader Regional Markets Interface Pricing Revisions

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Background

- ◆ **In 2008, NYISO experienced a large growth in Lake Erie loop flow, caused in part by a difference in pricing methodologies between NYISO and PJM.**
- ◆ **As part of the July 16, 2009 FERC Order on Lake Erie loop flow, FERC directed the NYISO to develop solutions “... including addressing interface pricing ...”**
- ◆ **Support the development of compatible and efficient proxy bus pricing methodologies among the ISOs, both for existing network configurations and with PAR installation complete.**

Review

- ◆ **Interface pricing and tag based pricing produce similar results when transactions flow on their scheduled paths.**
 - *Circuitous path scheduling may not be appropriate in the absence of the ability to conform actual flows to scheduled flows.*
 - *Tag-based pricing and path prohibitions may produce similar market responses.*
- ◆ **Efficient prices produce desired market behavior and facilitate regional energy interchange.**

Recommendation

– Current Network Configuration

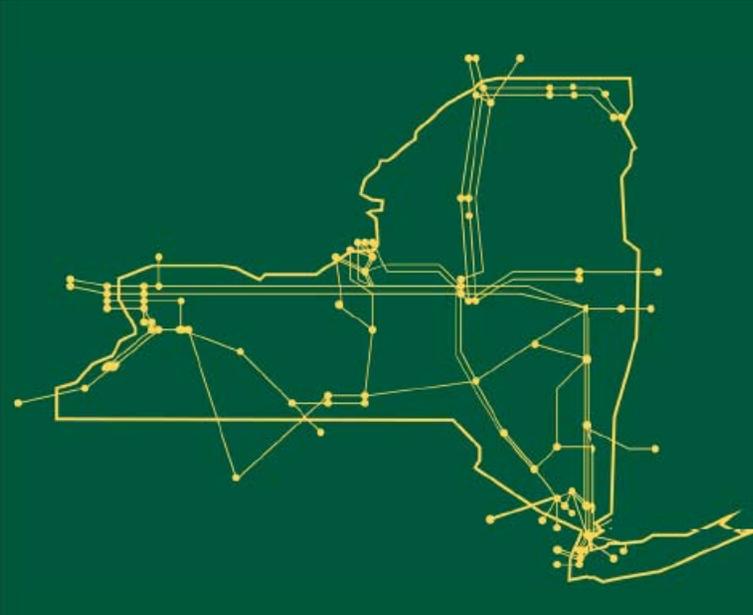
- ◆ **LBMP price development should reflect the incremental distribution of power flows around Lake Erie based upon network interconnections.**
 - *Modification need to be consistently applied to scheduling and pricing decisions.*
 - *Will impact both external transactions as well as internal generation.*
 - Need further feedback on the appropriate timing to implement this change.
- ◆ **Evaluate the continued applicability of the existing circuitous path prohibitions.**
 - *Is there reasonable justification to allowing transactions to be represented as flowing on a contract path inconsistent with anticipated actual power flows?*
 - *What addition financial rules are necessary to replicate the path prohibitions?*
- ◆ **Evaluate the need for and scheduling rules surrounding establishing an additional proxy bus location for the MISO to acknowledge power deliveries from or to the Midwest region.**
 - *What scheduling rules are required to converge bid locations with actual transaction impacts?*
 - What additional proxy bus locations are necessary?

Recommendation

– With PAR Control in Place

- ◆ **LBMP price development will need to consider the state of the PARs to manage Lake Erie loop flows.**
 - *When Lake Erie loop flow controlled operation, the actual delivery of power and pricing methodologies will reflect contract path, or bid path (consistent with current NYISO implementation)*
 - *When Lake Erie loop flows are not controlled, contract path pricing is not consistent with actual power deliveries.*
 - Evaluate appropriate pricing methodology to produce desired market response.
- ◆ **Evaluate the location(s) established for proxy price determination.**
- ◆ **Evaluate the ability to predict the controllability of the Phase Angle Regulators to manage Lake Erie loop flows to incorporate the necessary assumptions into the respective Day-Ahead and Hour-Ahead markets.**
- ◆ **Evaluate the continued applicability of the existing circuitous path prohibitions.**

The New York Independent System Operator (NYISO) is a not-for-profit corporation that began operations in 1999. The NYISO operates New York's bulk electricity grid, administers the state's wholesale electricity markets, and conducts comprehensive planning for the state's bulk electricity system.



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