

Broader Regional Markets Interface Pricing Revisions

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May 24, 2010

Objective

- ◆ As part of the Broader Regional Market initiative, NYISO agreed to complete a design concept for Interface Pricing Revisions (without Michigan-Ontario PARs) by 2nd Qtr 2010.
 - *Concepts were reviewed at the April 12th MIWG. No subsequent comments were received.*
- ◆ Will be preparing a report for FERC to provide status update on the various elements including in BRM.
- ◆ Want to ensure we accurately reflect stakeholder agreement/concerns with these concepts.
- ◆ Reviewing concept at the June 2nd BIC to seek conceptual approval.
- ◆ Further approvals will be required to implement any modifications.

Proposal Recap

- ◆ **Representation of physical power distribution**
 - *Reflect the physical distribution of power flows around Lake Erie based upon network topology.*
- ◆ **Path Validations**
 - *Maintain existing rules that preclude the circuitous scheduling of transactions.*
- ◆ **Proxy Bus Locations**
 - *Maintain use of PJM/IESO proxy locations. Validate network location for proxy bus representation.*

Implementation Schedule

- ◆ **Concept will require software development effort that cannot be completed in 2010**
- ◆ **Design and evaluation will continue during 2010 with necessary stakeholder reviews and approvals**
- ◆ **Incorporate effort into 2011 Budget Planning/Project Prioritization**

Appendix

**Material previously distributed and
discussed at April 12, 2010 MIWG**

Broader Regional Markets

- ◆ On January 12, 2010, the NYISO filed a report at FERC describing a suite of proposed solution to Loop Flows, including:
 - *Physical Solution*
 - Installation and operation of the Michigan/Ontario PARs to better conform actual power flows to scheduled power flows.
 - *Parallel Flow Visualization*
 - *Market Solutions with PJM, MISO and IESO*
 - Buy-Through of Congestion
 - Congestion Management (Market-to-Market Coordination)
 - Interface Pricing
 - Enhanced Interregional Transaction Coordination

Potential Implementation Timeline*

- ◆ **Interface Pricing Revisions**
 - *NYISO Revisions - Design* 2Q – 2010
- ◆ **Regional PAR Coordination Operating Guide**
 - *Initiate Regional Study* 2Q – 2010
- ◆ **Parallel Flow Visualization**
 - *Software Ready* 2Q – 2010
 - *Parallel Operations* 4Q – 2010
- ◆ **Buy-Through of Congestion**
 - *Design Development* 4Q – 2010
 - *Implementation* 3Q – 2011
- ◆ **Congestion Management**
 - *PJM-NYISO Implementation* 3Q – 2011
 - *Extend to Additional Regions* 2012
- ◆ **Enhanced Interregional Transaction Coordination**
 - *Energy Scheduling with NY/HQ* 1Q – 2011
 - *Energy Scheduling with NY/PJM* 4Q – 2011
 - *Extend to Additional Regions* 2012

**Prospective timeline pending design development and approval from Market Participants, neighboring Control Areas and the Commission.*

Recommendation

- ◆ **Today's discussion is focused on the alterations to the current pricing methodology for the existing network configuration, without the availability of PAR installations to minimize Lake Erie Loop Flow.**
 - *NYISO continues to work with the other ISOs to evaluate the appropriate method to utilize with the Ontario-Michigan PARs in service.*

Proposal

- ◆ **Representation of incremental power distribution**
- ◆ **Path Validations**
- ◆ **Proxy Bus Locations**
- ◆ **Implementation Timing**

Representation of Network Flows

- ◆ **Reflect the incremental distribution of power flows around Lake Erie based upon network topology.**
 - *Maintain existing allocation of power flows on the NYISO-PJM PARs. (Technical Bulletin 152 – PJM Proxy Bus Pricing and Scheduling)*
 - No incremental power flows will be reflected on the NYISO-PJM PARs for transfers with IESO.
 - *Maintain ability to impose a Lake Erie circulation onto the power flows to ensure accurate determination of network constraints.*
- ◆ **Maintain consistency in treatment between external transactions and internal resources for both scheduling and pricing decisions.**

Path Validations

- ◆ **Maintain existing rules that preclude the circuitous scheduling of transactions.**
 - *Circuitous path scheduling is not considered appropriate in the absence of the ability to conform actual flows to scheduled flows.*
 - *While tag-based settlement and path validations are intended to produce similar market responses, the NYISO believes a more rigorous implementation is achieved by maintaining the circuitous path prohibitions.*
- ◆ **When available, monitor the ability of the IESO-MISO PARs to maintain actual flow to be consistent with scheduled interchange and the capability of the additional Broader Regional Markets solutions to obviate the need for the path validations.**

Proxy Bus Locations

- ◆ Due to the PAR controlled nature of the NYISO-PJM interface, the value of energy delivered from regions beyond PJM and IESO will be predominately defined by the delivery path through PJM or IESO to NYISO.
 - *For example, Midwest ISO power scheduled through PJM will have different impacts than Midwest ISO power scheduled through IESO.*
- ◆ Evaluate the appropriate locations for the external proxy buses to align anticipated distribution of network power flows delivered from or through PJM or IESO.
- ◆ Do not recommend the establishment of additional proxy bus locations beyond PJM and IESO at this time.

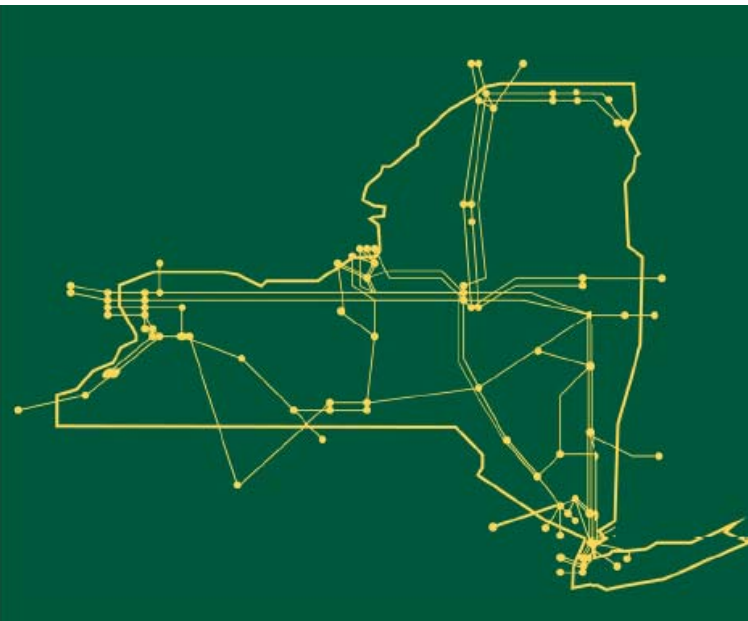
Implementation Timing

- ◆ **Suggest coordinating the activation of the pricing methodology changes with the Centralized TCC Auctions (i.e. Capability Period Auctions)**
- ◆ **Request additional feedback on the appropriate timing for implementation of recommended changes**

Next Steps

- ◆ **Review and consider feedback to proposal**
- ◆ **Schedule necessary Committee approvals and FERC filing**
- ◆ **Monitor status of Ontario-Michigan PAR installation**
- ◆ **Evaluate complexity of recommendation to determine an implementation schedule**

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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