Broader Regional Markets
Interface Pricing Revisions

Robert Pike
Director, Market Design
New York Independent System Operator

BIC
NYISO – Krey Corporate Center
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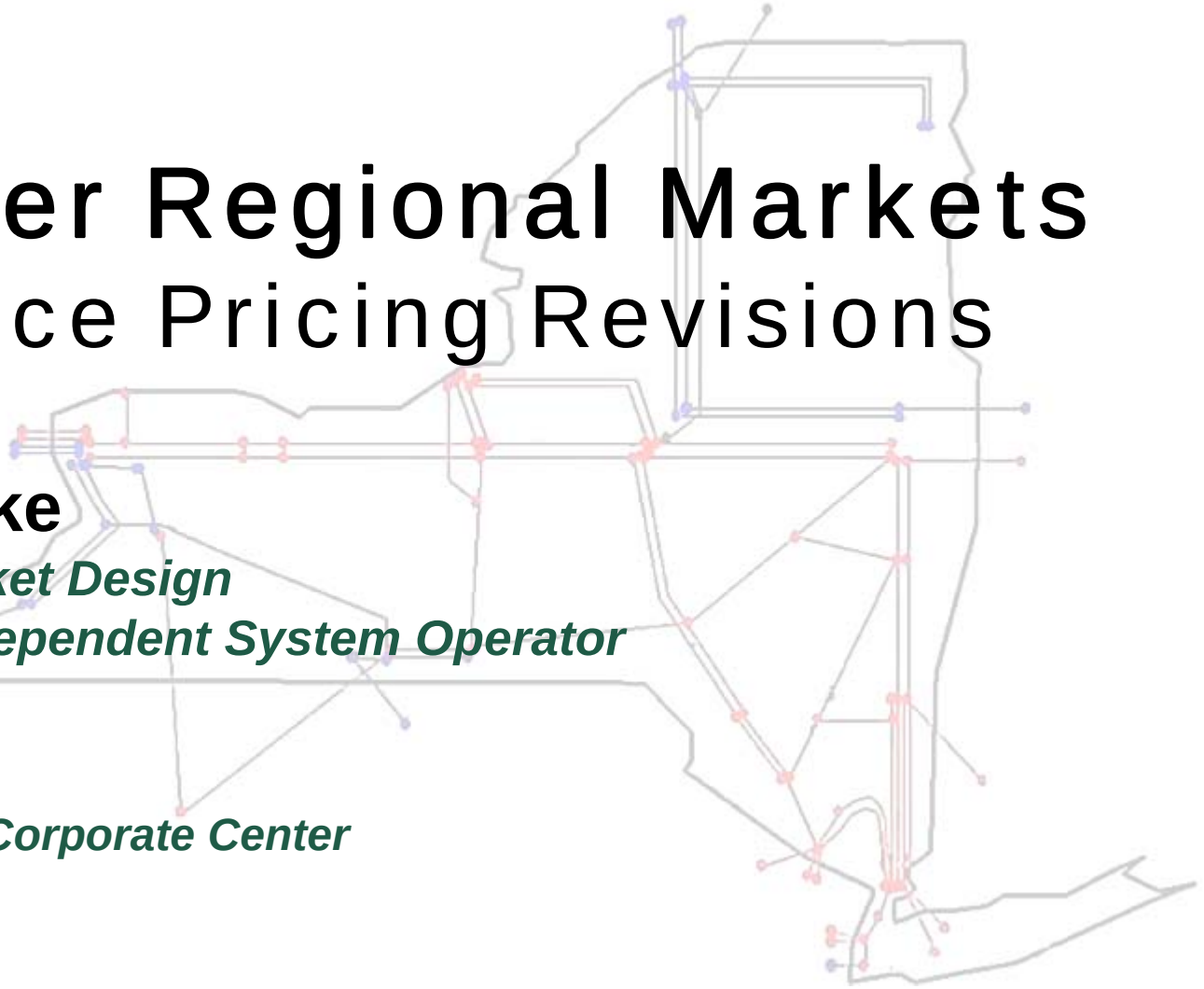


Objective

- **As part of the Broader Regional Market ("BRM") initiative, NYISO agreed to complete a design concept for Interface Pricing Revisions (to be used prior to when the Michigan-Ontario PARs are to be in service) by 2nd Qtr 2010.**
  - ***Concepts were reviewed at the April 12th MIWG. No subsequent comments were received.***
- **Will be preparing a report for FERC in July to provide status updates on the various elements included in BRM.**
- **NYISO wants to ensure it accurately reflects stakeholder agreement/concerns with these concepts.**
- **Further stakeholder approvals will be required to implement any modifications.**

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 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 and IESO proxy buses.***
  - ***Validate network location for bus representations.***

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 PAR controlled lines interconnecting the NYISO and PJM.**
  - ***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.**

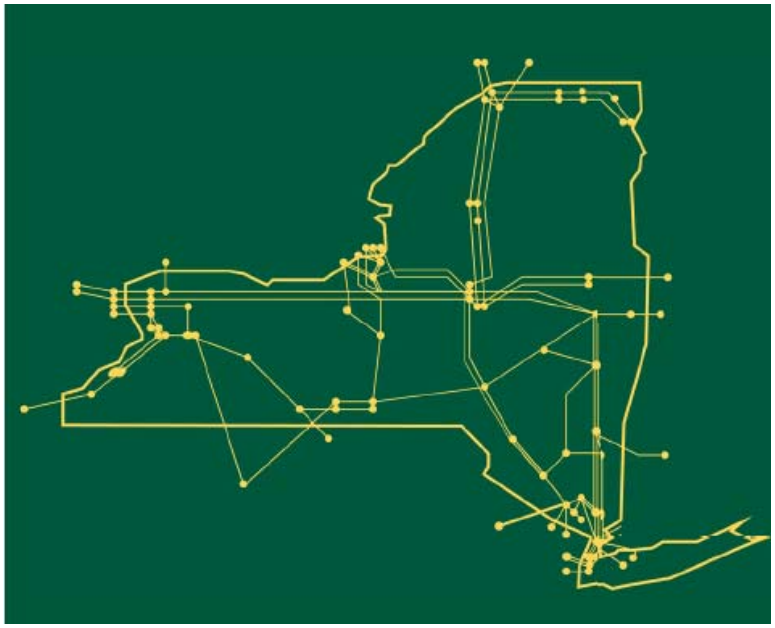
Proxy Bus Locations

- **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.**
- **NYISO is not recommending the establishment of additional proxy bus locations beyond PJM and IESO at this time.**

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**
- **Monitor status of Ontario-Michigan PAR installation and implementation**

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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