Tariff Concepts to Replace ECA20000907A and ECA20001006B

A Proposal For Settlement of External Transaction Imbalances at BME Prices

Presented to the

Management Committee by

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Issues Leading to the ECAs

For external transactions BME created a binding commitment to buy or sell, but the prices were advisory.

BME recognized congestion across interfaces and secured correctly; SCD assumed net impact of BME optimization.

Real-time settlement frequently occurred at prices different from those used by BME to determine commitments.

Dispatch, sales, and rescheduling would become uneconomic for reasons beyond Market Participants' control.

ECA A: “Failed Transactions”

Problem: Failed imports caused operating hour to be generation short; LBMPs at external proxy bus would be higher than if the scheduled generation was available.

Solution: Failed imports pay the difference between the real-time LBMP at the proxy bus and the BME offer price of the transaction.

Problem: Failed exports caused operating hour to be generation long; LBMPs at external proxy bus would be lower than if exports occurred; counterflow import purchases would create increases in uplift.

Solution: Failed exports pay the difference between the BME bid price of the transaction and the real-time LBMP at external proxy bus.

➔ **Failed Wheel Transactions looked at as coupled import/export.**

ECA B: “Constrained Interface Transactions”

Symptom:

BME would manage import congestion by selecting the most economic transactions, often leading to very low clearing prices.

BME would manage export congestion by serving those loads most desiring to be served, often leading to high clearing prices.

Problem:

SCD reflects net flows across the interfaces, and real-time prices do not reflect any congestion across the ties.

The prices in SCD can be radically different from those in BME.

Market Participants had no incentive to bid accurate prices at which they wished to have their transactions curtailed.

ECA B: "Constrained Interface Transactions," cont.

Solution:

Imports contributing to congestion would settle at the *<u>lesser</u>* of the BME or SCD price at the external proxy bus.

Exports contributing to congestion would settle at the *<u>higher</u>* of the BME or SCD price at the external proxy bus.

- ➔ ***Counterflow import transactions receive BPCG, but BPCG no longer contributes to Uplift.***

Proposed Rules

A. All imbalances resulting from failure to meet DAM export or import schedules will settle at the BME-determined LBMP at the relevant external proxy bus.

B. All hour-ahead offers and bids scheduled by BME will settle at the BME-determined LBMP at the relevant proxy bus.

C. An MP with an import transaction accepted by BME that then fails checkout will replace transaction energy at the greater of the BME-determined price or the SCD-determined price.

D. An MP with an export transaction accepted by BME that then fails checkout will sell back its energy purchase obligation at the lower of the BME-determined price or the SCD-determined price.

E. DAM transaction "adjustment" will be removed.

Consequences of Proposed Rules

- Failed transactions settle at the difference between the SCD-determined price and their hour-ahead offers such that they cannot gain from the transaction's failure.
- Both DAM-scheduled and proposed HAM transactions are evaluated on accurate economic signals, as given through decremental bids, due to elimination of $20,000 Day-Ahead "adjustment."
- Settlement mechanism is to replace the SCD-determined LBMP with BME-determined LBMP at external proxy buses.

Additional Impacts of Proposed Rules

DAM-Scheduled imports not scheduled in BME buy replacement energy at the BME price at external proxy bus.

DAM-Scheduled exports not scheduled in BME sell their energy back at the BME price at external proxy bus.

If NYISO curtails an import transaction in the operating hour, Seller buys replacement energy at the BME price, but receives a supplement equal to the BME price less the Seller's BME offer.

If NYISO curtails an export transaction in the operating hour, Buyer has its purchase obligation cancelled and receives a credit based on the BME price for that hour.

Curtailed ICAP export transactions are paid pursuant to the ICAP tariff.