

Expanding Virtual Bidding to the Sub-Zonal Level



Erik Abend

for EPIC Merchant Energy

NYISO Market Structures Working Group

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Why do it?

- Introducing virtual trading opportunities to the sub-zonal level will:
 - Increase trading options for Participants
 - Provide greater flexibility for managing risk
 - Increase market liquidity by making a greater variety of products and trading opportunities available.



According to Dr. Patton:

“Summer 2004 Review of the New York Electricity Markets”

- “Price convergence in the load pockets could be improved by the introduction of virtual trading within the NYC load pockets.” (p.32)
- “Price convergence was not as good in NYC and Long Island in 2003.... affected by...the inability to trade virtually in the load pockets;....” (p.34)
- “Price sensitive virtual bids and offers make supply and demand more price elastic in the DAM, making the market more resistant to the exercise of market power and attempts to manipulate day ahead prices.” (p.50)
- “Price convergence between the day ahead and real time markets remained at satisfactory levels, which is attributable in part to active virtual trading.” (p.3)
- “Virtual supply scheduled...contribut(ed) to the reduction in the DA price premium.” (p.47)



Other considerations:

- Dr. Patton also recommended that the NY markets should provide more flexibility in the TCC markets
 - NYISO is already addressing this recommendation
- The increase in congestion costs after 2001 was primarily due to the modeling of load pockets within NYC
 - Excess TCC's sold into NYC contributed to shortfalls in the summer of 2003 and early summer 2004



Issues requiring further study:

- If the implementation of RTS successfully resolves the DA/RT divergences, what other benefits will expanding virtual bidding to the sub-zonal level bring to the market?
- What impact will it have on day ahead congestion rents?
- How does expanding VB to the sub-zonal level impact the binding of constraints in the DA and RT markets?
- Will it impact Out Of Merit commitments in the day ahead market?
- How will it impact day ahead prices?



Next steps:

- Questions and concerns...
- Summer 2005 Review: RTS
- Additional issues requiring further study