

Non-Competitive Proxy Bus Pricing

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**Presented to
Business Issues Committee**

January 21st , 2004

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Non-Competitive Proxy Bus - Timeline

The following lays out the sequence of relevant NYISO and FERC documents related to the non-competitive proxy bus issue:

- NYISO files tariff language (April 1st, 2003)
- NYISO files Motion for Leave to Answer and Answer (May 21st, 2003)
- FERC letter requesting further information (May 30th, 2003)
- NYISO response to information request (June 24th, 2003)
- FERC order conditionally accepting pricing rules (August 22nd, 2003)
- NYISO files Request for Rehearing and Motion for Clarification (September 22nd, 2003)
- NYISO files Report on Market Competitiveness at the NYISO Proxy Busses (November 26th, 2003)
- FERC Order on Rehearing and Clarification (December 23rd, 2003)

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Non-Competitive Proxy Bus – Aug 22 Conditions

FERC order conditionally accepting pricing rules (August 22nd, 2003)

- “NYISO is hereby directed submit a compliance filing within 30 days of the date of this order modifying its proposed pricing rules so that they apply only when NYISO must schedule a counterflow transaction involving the Non-Competitive Generator Proxy Bus in the BME or in real-time, in order to relieve one of the two constraints set forth in those rules, as discussed in the body of this order.” – covered in NYISO’s September 22nd submission.
- “NYISO is hereby directed to investigate whether market power is a concern at its New England, Ontario and PJM proxy buses and, within 90 days of the date of this order, report its findings to the Commission.” – see report on Market Competitiveness at the NYISO Proxy Busses filed November 26th, 2003.

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Non-Competitive Proxy Bus – Sep 22 Response

NYISO indicates in their Request for Rehearing and Motion for Clarification (September 22nd, 2003) that the FERC ordered condition modifying the pricing rule does not encompass all the non-competitive situations that can occur. Scheduling of hour-ahead counterflow transactions should not be distinguished from day-ahead transactions that are evaluated and not scheduled by BME that would have flowed in the direction of the constraint.

The NYISO also indicated that the remaining situations covered by the FERC ordered condition modifying the pricing rule are unlikely given the nature of competition at the proxy bus and that:

- adding a scheduling analysis requirement to the proposed rules (as indicated by the FERC ruling) would be counter-productive
- applying the NYISO approach rather than the FERC ordered modification would result in incremental benefits to the entities transacting at the non-competitive proxy bus at the expense of the remainder of the NYISO market participants – this result was identified and indicated as acceptable by the NYISO filing given the extreme unlikelihood that the outcomes necessary to produce these results would occur.

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Non-Competitive Proxy Bus – Dec 23 Order

FERC Order on Rehearing and Clarification (December 23rd, 2003)

- Agrees with the NYISO regarding the need to include the de-scheduling of DAM transactions as equivalent to the scheduling of hour-ahead counterflow transactions
- Denies the NYISO's request to retain the originally filed pricing rules and requires that the non-competitive pricing rule not be applied if: i) no DAM transactions in the direction of the constraint are evaluated and not scheduled by BME, and ii) no hour-ahead counterflow transactions are scheduled
 - **The FERC ordered pricing rules will be applied back to the May 31st, 2003 effective date (some price corrections are required) – this is in progress**
 - **For the period from May 31st, 2003 through January 4th, 2004 the total \$ impact of the difference in pricing rules was estimated to be \$368.09**

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Non-Competitive Proxy Bus – Next Steps

The reason we are here today is to seek approval to resubmit the original tariff filing:

- Implementing the FERC ruling directly in the price posting software would require significant resources and expense
- Implementing the FERC ruling through price corrections is also not without cost from both a resource and market certainty perspective

Submitting the original tariff filing will result in a small transfer from NYISO market participants in general to entities transacting at the non-competitive proxy bus, e.g.,

- **Buying energy from HQ at \$0 or SCD prices instead of -\$5 (BME price)**
- **Selling energy to HQ at SCD or DAM prices (when both are lower than BME) instead of the BME price.**

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