

# NYISO Pricing Issue Checkpoint

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# Problem Statement

- Following the implementation of real-time load pocket modeling on June 3<sup>rd</sup>, market participant concerns persist that true scarcity pricing in the real-time market is being masked by generation moved by Operations to secure the power system.

# Specific Questions....

- Can the NYISO directly incorporate OOM generation into the SCD price calculation?
  - Through manual intervention by NYISO Operations?
  - Through a price validation/correction mechanism by LECG?
  - Through a rapid software change?

# Specific Questions....

- Can the NYISO apply a proxy for scarcity pricing (\$1000) under certain reserve shortage conditions?
- Can the causes of supplemental unit commitments be incorporated into the SCUC contingency solution to reduce instances of SRE?
- Will any proposed short-term changes require Tariff modifications?
- Can the NYISO clarify numerous comments and concerns raised by market participants regarding the existing application of the Tariff?

# Much work and discussion is underway to address these issues

- Internal discussions include..
  - Operations
  - Market Operations
  - Market Services
  - Market Monitoring
  - Legal & Regulatory
  - IT
  - Consultants & Contractors (LECG, Potomac Economics, Hunton & Williams)

# Preliminary Conclusions on 30 min GTs Setting Price

- Can Operations allow 30 min GTs to set price through manual intervention?
  - Two straw procedures developed and tested by NYISO Operations
  - First procedure contains many steps and is labor intensive
  - First procedure requires implementation by trained NYISO operators (No temps!)
  - Operator workload during stressed conditions would preclude a practical implementation of this procedure
  - Test on 2<sup>nd</sup> procedure was conducted and was not successful
- No, manual intervention by operations is not a practical solution to meet this need

# Preliminary Conclusions on 30 min GTs Setting Price

- Could NYISO allow 30 min GTs to set price through ex-post price revision?
  - Straw procedure evaluated by LECG
  - Two classes of NYISO OOM were evaluated; OOM for reserves, and OOM for SCD-seen constraints.
  - A workable procedure has been established to allow real-time price revision for OOM for reserves (7/29 effective date)
- In part, Yes. The NYISO can reserve and revise LBMPs for the subset of OOMs put on for reserves. The procedure is now in place.

# Preliminary Conclusions on 30 min GTs Setting Price

- Could NYISO allow 30 min GTs to set price through a rapid deployment of software changes?
  - NYISO is evaluating whether the schedule of certain deliverables of A633 could be advanced
  - Operations and IT are defining requirements and assessing resources
  - Preliminary review suggests that this is a feasible approach
- Yes, a fast-track project is underway to expedite the needed functionality ASAP.



# **Preliminary Conclusions on Changing Pricing Rules to Reflect Scarcity During Some Reserve Shortage Conditions**

- Could NYISO revise prices ex-post to reflect certain categories of reserve shortages?
  - Tariff revisions are required to allow this refinement
  - Clarification of what constitutes a true shortage condition is required
  - Must account for ICAP recall, regional reserve sharing arrangements
  - A similar criteria must be developed to implement the reserve demand curve in RTS
- The proposed change in pricing rules will require committee discussion and a tariff change.

# Conclusions

- Procedures to revise prices for NYISO OOM used for reserves are in place.
- A633 fast-track option appears to be the most promising short term solution to address NYISO OOM for reserves and NYISO OOM for SCD-seen constraints
- Other methods will continue to be explored
- Modifications to the Central East limits to incorporate voltage limitations in the SENY area are in place
- Current pricing practices are consistent with the NYISO Tariff