

# Failed Transactions in SMD 2.0

**Concept of “Financial Impact Charge”**

**Presentation to MSWG**

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*Draft – for Discussion Only*

# Overview

- **Intent is to restructure the settlement and charges for failed transactions to provide billing clarity**
- **The appropriate allocation of billing dollars will be assured**
- **Clarification of the original intent of ECA “A” and “B”**

# Intent of Original ECAs

## ➤ ECA “A”

- *Imports curtailed as the result of MP action are charged the higher of the real-time LBMP less the BME calculated LBMP multiplied by the curtailed MWh, or \$0.*
- *Exports curtailed as the result of MP action are charged the higher of the BME calculated LBMP less the real-time LBMP multiplied by the curtailed MWh, or \$0.*
- *Failed wheels are treated as a failed import and a failed export*

## ➤ ECA “B”

- *If the external proxy is constrained, the BME calculated LBMP is used*
- *Therefore, the BME-calculated and real-time LBMPs may be the same.*

# Failed Transactions

- **A Market Participant shall be deemed to cause a transaction to fail if it is curtailed for reasons within the control of the MP, for example:**
  - *Inconsistent scheduling between Control Areas*
  - *Incorrect OASIS registration*
  - *Request made to external Control Area to curtail a transaction after submitting the bid in the NYISO hour-ahead market*
- **“Failure” does not distinguish between intentional or unintentional: unintentional scheduling mistakes can cause as much impact on the Market as intentional gaming.**

# Real-Time LBMPs at External Proxies

**Depending on whether an External Proxy is constrained or unconstrained, competitive or non-competitive, the LBMP at the Proxy may be any one of the following:**

- *As calculated by SCD*
- *As calculated by BME*
- *As calculated by SCUC*
- *As calculated by EDRP/SCR pricing rules*
- *\$0*

# Issues with Current Settlement Rules

- **BME and Real-Time prices may be the same.**
- **Any “penalty” for a transaction failure is included as part of the energy settlement and not easily identifiable.**
- **Settlement imbalances will occur**
  - *Over collections from failed imports*
  - *Under payments to failed exports*
  - *These imbalances are not clearly discernable in Schedule 1*

# Proposed Implementation with SMD 2.0

- **Transactions that fail checkout after RTC<sub>15</sub> will settle their energy contracts at prevailing real-time prices.**
- **In addition, the MP causing the failure will incur a Financial Impact Charge (FIC)**

The FIC will have the following structure:

- For a failed import, the charge shall be:

$$(\text{Sched}_{\text{RTC}} - \text{Act}_{\text{RT}}) \times \text{Max}[(\text{Price}_{\text{RTD}} - \text{Price}_{\text{RTC}}), 0]$$

- For a failed export, the charge shall be:

$$(\text{Sched}_{\text{RTC}} - \text{Act}_{\text{RT}}) \times \text{Max}[(\text{Price}_{\text{RTC}} - \text{Price}_{\text{RTD}}), 0]$$

- Failed wheels are treated as a failed import and a failed export



# Advantages of Proposal

- **MPs causing a transaction failure will pay a charge in relation to the impact they cause the NY Market, which is consistent with the intent of today's tariff**
  - *A failed import causes RTD to commit additional resources, which may drive RTD prices above RTC prices.*
  - *A failed export causes RTC to commit unneeded resources, which may drive down RTD prices and increase uplift.*
- **In Billing, energy settlements and FICs will be calculated and reported separately.**
  - *Transactions will see the FIC as a charge separate from the energy settlement*
  - *Revenue from the charges will be reported as a credit to Schedule 1*

# Identifying and Billing Failed Transactions

- **If a transaction is curtailed for reasons within the control of the MP, the NYISO Operator shall identify it as “Failed”**
- **Market Monitoring shall review all transactions flagged as “Failed”. If it is deemed the curtailment was not the result of MP action, the “Failed” flag shall be removed.**
- **Market Monitoring may also review all other curtailed transactions and flag any others as “Failed” that they deem curtailed for reasons within the control of the MP.**
- **Failed transactions shall be settled and FICs applied as described previously.**