



Accelerated Real-Time Market Price Reservation Discussion

Scheduling & Pricing Working Group 31 October 2006

Agenda











- Background
- Compliance Order Requirements
- **Current Price Reservation Process**
- Potential Issues and Trade-offs
- **Enhanced Price Validation Project**
- Market Participant Input/Concerns
- **ISO** Proposal



Background

Billing & Price Correction Task Force

- BPCTF Was Formed To Engage Stakeholders In Improving Price Validation Process
- Developed & Filed Proposed Tariff Revisions
- Price Correction Issues since Transferred to Scheduling & Pricing Working Group

ISO FERC Filing – 16 May 2006

- Proposed Revisions to:

 - Open Access Transmission Tariff
- Fliminate TFP
- Establish Framework for Price Corrections
- Develop Schedules for Price Reservations & Corrections



Compliance Order Requirements

- ✓ NYISO Received FERC Order in Response to Proposed Tariff Amendments
- Docket No. ER06-1014-000, 14 July 2006 Order Conditionally Accepting Tariff Revisions as Modified and Ordering Compliance Filing
 - Defined Price Correction Errors
 - Directed Three Calendar Day Correction Period
 - Directed NYISO to work with its stakeholders to reach agreement on a shorter [Price Reservation] deadline and to file an appropriate modification to its Tariffs
 - Approved Price Correction Modes among Other Directives



Current Price Reservation Process



- Evaluation of Over 135,000 Daily Prices and Dispatch Points
- Less Than One Calendar Day to Evaluate & Reserve RTM Prices
- RTM Price Reservation Process Begins at 8AM the Day After Market Day
- Reservation Notice Sent by 5PM the Day After Market Day indicating whether RTM Prices are being reserved or released





Potential Issues and Trade Offs

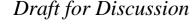
- ✓ Possible Trade-off of Reservation Certainty vs. Accuracy
 - Accelerated Price Reservation Schedule May Be More Susceptible to False Reservation Positives
- ✓ Less Time to Review Detailed Operations/Market Information
 - Operator Information (e.g. Dispatcher Logs)
 - Energy Management System Data (e.g. telemetry related issues)
 - SCUC/RTC/RTD Market Results
- Additional Resources may be required to cover off-hour Price Reservation Validation Processes if reservation deadline is significantly accelerated
 - Cost/Benefit Analysis of Off-Hour ISO Operations due to additional staffing requirements?











Enhanced Price Validation Project

- Enhanced Price Validation Project Capabilities
 - Enhanced Integrated System for Price Reservations and Corrections Process
 - Automated Rules-Based Engine to Evaluate Prices for Reservation
- Prior to Enhanced Price Validation Project Deployment
 - Limited ability for an accelerated Price Reservation deadline due to the extensive amount of data transfer and communications necessary between LECG and ISO staffs, as well as manual review of pricing and scheduling outcomes under existing operations
- ✓ Post Enhanced Price Validation Project Deployment
 - Much greater opportunity for an accelerated Price Reservation deadline as a result of EPV data management capabilities, automated review of pricing and scheduling outcomes, as well as internalizing the reservation and correction processes within the ISO













Market Participant Input/Concerns

- ISO recognizes that Improved Energy Market Arbitrage and Liquidity should result from an accelerated Price Reservation **Deadline because:**
 - Price Reservation Finality (Timeliness) will be improved
 - Price Reservation Accuracy might be Impacted as discussed
 - Overall, however, Price Certainty should be Improved
- What Market Participant Business Drivers are involved in establishing an accelerated Price Reservation Deadline?
 - Financial Marketers' Staffing Availability to review Pricing Reservation notices prior to next Day-Ahead and Real-Time Market bid submissions?
- What Other Market Participant Drivers are important?

ISO Proposal

- ✓ Given the significant potential to accelerate the Price Reservation deadline as a result of the capabilities of the Enhanced Price Validation (EPV) Project, the ISO proposes:
 - A two phase implementation for accelerating Real-Time Market Price (RTM) Reservation Deadlines as follows;
 - → Prior to the implementation of the EPV project and in recognition of the existing ISO/LECG process limitations;
 - An initial improvement in an accelerated RTM Price Reservation Deadline to 3PM on the day following the market day on a best efforts basis but not later than 4PM of the day following the market day
 - Coincident with the implementation of the EPV project and in recognition of the expected EPV capabilities and improved ISO process efficiencies,
 - A more significant improvement in a consistent and accelerated RTM Price Reservation Deadline











