

Patton Dragging Report
Summary Comments
2/15/05 S&PWG

1. Report finds the causes to be consistent with those previously identified by the ISO staff.
 - a. Improvements in SMD2 dispatch logic may result in overall improvement in generator performance.
 - b. Majority of dragging is caused by relatively few (5 to 10) steam units. Focus on performance of a limited number of units could reduce net deviations and the associated effects on prices.
2. Potomac Economics (PE) acknowledges the “economic deviation” effect of persistent or excessive dragging but was unable to quantify this effect for the period examined. A qualitative discussion of economic deviation points out the following:
 - a. Deviations are not a significant problem in most hours but have a significant effect in some hours, particularly high load hours.
 - b. Economic deviations cause prices to be over and under stated at times depending upon severity and in some cases can increase uplift.
 - c. BPCG payments will not hold units harmless when they are dispatched in response to dragging by others due to 24 hour period of the BPCG calculation.
 - d. The hybrid pricing logic design that creates the “economic deviation” effect of dragging is important to the management of GTs and prevention of greater economic damage when significant GT commitments are called for.
 - e. Prices and physical dispatch should be consistent as much as possible and means should be sought to preserve hybrid pricing logic but to increase the consistency of the pricing model with the non-accumulating basepoints in the physical dispatch.
3. Pricing methodology
 - a. Ex-post pricing is not a solution. It will not properly address GT management.
 - b. Ex-post pricing makes other inefficient price adjustments relative to comparable ex-ante prices
4. Recommendations:
 - a. The ISO should focus on the performance of the few large steam units that account for the majority of dragging with derates if necessary to reduce the price effects of economic deviation. .
 - b. ISO should review incentives and penalties to determine if incentives are in place to encourage proper response to dispatch signals.
 - c. ISO should consider the feasibility and costs of alternative means to improve the consistency of economic and physical basepoints.
 - d. Quantify the effects of the problem under SMD2 for the next six months and then balance the significance of the issue with the cost of solutions to address it.

RMT