Disaggregated Virtual Trading Concept Overview

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Agenda

- Purpose of Today's Presentation
- DVT Concept Overview
- Credit Requirements
- Benefits of DVT
- Next Steps

Purpose

- Today's presentation is to preview the September BIC presentation seeking concept approval.
- This presentation is meant to focus on the goals and objectives of the DVT design; to insure that the discussion is working from a common starting point as future details as are discussed.

- DVT Concept Overview

Objectives of DVT Design

- Increased Virtual Trading Opportunities
- Ensure DAM Integrity
- Mitigate Volume Exposure
- Mitigate Risk Exposure to Market Place
  - *Market Monitoring*
  - *Credit*

Concept Design Overview

- Increased virtual Trading Opportunities
  - *Virtual trading (VT) at generator nodes*
    - Targeted goal of all NYCA generator locations

Concept Design Overview

- Ensure DAM Integrity (Physical and Temporal)
  - *Schedule Limits*
    - Limit sum of schedules at each node to plus/minus 2x the capabilities of generation resource(s) at that location
  - *Soft Bid Volume Cap*
    - Invoked on as-needed basis
    - Determined by bid volume that NYISO can process and still meet timely DAM post
  - *Fail Safe Switch*
    - The NYISO will have the ability to suspend DVT, similar to the authority it has today

Concept Design Overview

- Mitigate Volume Exposure (eliminate unnecessary/redundant data)
  - *Single trading node for each group of units modeled at a single point*
  - *MPs will have ability to prioritize bids upon submittal and will include bid start/end times*
  - *Virtual Bidding Fees*
    - Higher fees for uncompetitive offers
      - Incents competitive offers
    - Reduces likelihood of “exploratory bids”
      - Using scheduling systems to evaluate offsetting offers
  - *Virtual Bid Segments*
    - 11 segments for virtual bids (and price-capped loads)

Concept Design Overview

- Mitigate Risk Exposure to Market Place
  - *Monitor DAM and RT LBMPs for recurring deviation at one or more Virtual Transaction locations that would not be expected in a workably competitive market.*
  - *Monitor for recurring Virtual Transaction losses not expected in a workably competitive market*
  - *NYISO authority to impose penalties on Market Parties whose authority to Bid Virtual Transactions has been limited*
  - *Authority for NYISO to suspend generator nodes from virtual-trading eligible locations*

Concept Design Overview

Credit Requirements

Proposed Disaggregated Virtual Trading Credit Requirements

- Credit requirements will be calculated at the 97th percentile for each DVT node based on time-of-year and time-of-day groupings

- Time-of-year groupings will remain the same as used for zonal virtual trading
  - Summer
  - Winter
  - Rest of Year

Proposed DVT Time-of-day groupings

- Weekday Peak Hours (HB 7 – 22)
  - Nodes in Zones J - retain current 4 hour blocks
  - Nodes in Zones A through I & K – retain current 4 hour blocks
    - HB 7 – 10
    - HB 11 – 14
    - HB 15 – 18
    - HB 19 - 22

Proposed DVT Time-of-day groupings

- Nights (HB 23 – 6)
  - Nodes in Zones J - change to 2 hour blocks
    - HB 23 - 0
    - HB 1 - 2
    - HB 3 - 4
    - HB 5 - 6
  - Nodes in Zones A through I & K – retain current 8 hour block
    - HB 23 - 6

Proposed Time-of-day groupings

- Weekends/Holidays (HB 7 – 22)
  - Nodes in Zones J - change to 4 hour blocks
  - Nodes in Zones A through I & K – change to 4 hour blocks
    - HB 7 – 10
    - HB 11 – 14
    - HB 15 – 18
    - HB 19 - 22

DVT credit requirements timing

- Credit will be held throughout the life cycle of the bid in the same manner that it is held for virtual trading today.
  - Credit will be checked upon bid submission
  - DVT credit will be held until Day Ahead Market Validation is complete.
    - Credit will be held on accepted bids
    - Credit on rejected DVT bids will be released
- After the billing data is available, credit will be held for payments due the NYISO for virtual trading activity

Disaggregated Virtual Trading Credit Requirements

- NYISO will hold credit coverage for Zonal and DVT bid fees
- Disaggregated Virtual Trading credit requirements will be updated and posted for Market Participants each month on the same schedule as zonal virtual trading credit requirements
  - csv and pdf files will be available

- Benefits and Next Steps

Benefits of DVT

- Increased opportunities for arbitrage, thereby adding the potential for increased liquidity to the overall market
- Improved price convergence between DAM and RT markets, resulting in more efficient commitment and utilization of resources
- Improved price signals
- Improved convergence in areas with intermittent renewables
- Using 2009 data, Potomac Economics updated the estimates of the potential benefits of DVT to be at least $2 million per year (based off of $5 NG prices).

Next Steps

- As requested by the BPWG, NYISO will bring the market and credit designs for DVT to BIC for conceptual approval in September
- Evaluate DVT for 2011 as part of the ongoing budget evaluation process
- Continue DVT design discussions in future MIWGs

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