Enhanced Interregional Transaction Coordination Comments of H.Q. Energy Services (U.S.) Inc. Submitted at MIWG – August 10, 2010

H.Q. Energy Services (U.S.) Inc. ("HQUS") supports the Enhanced Interregional Transaction Coordination ("EITC") project. HQUS believes that this project will be beneficial to the NYCA as well as the neighbouring control areas. HQUS also generally supports the proposed Tariff language, but believes that some aspects of the EITC project need to be clarified or expanded. HQUS also disagrees with some aspects related to the import curtailment guarantees, but does not address the guarantee issues in this document. HQUS therefore offers the following for market participants' consideration.

<u>1. The proposed Tariff language should be expanded to clarify how the NYISO</u> <u>numerically sets the Ramp Constraints.</u>

Proposed section I.F.1 of Att. B of the Market Services Tariff ("MST") defines three proxy generator bus constraints: Interface ATC Constraint, Interface Ramp Constraint and NYCA Ramp Constraint. HQUS does not take issue with the Interface ATC Constraint, as Att. C of the NYISO OATT already clarifies how the NYISO calculates its ATC values. However, no such Tariff provision, either existing or proposed, describes the methodology behind the determination of the NYCA or Interface Ramp Constraints (together, the "Ramp Constraints").

For example, the top-of-the-hour NYCA Ramp Constraint is usually of 700 MW. HQUS understands that this value was determined under the NYPP, but HQUS has never been able to find any document supporting this determination, let alone a document that proves that this value is still appropriate more than ten years after the NYISO's inception. Similarly, HQUS has not seen any document supporting the value of 20 MW/minute (or 100 MW per 5 minutes) that was mentioned as the possible intra-hour 5-minute Ramp Constraint that would apply at the HQ Proxy Bus. The same can be said of the 300 MW per 15 minutes Ramp Constraint that was mentioned for interfaces with a 15-minute scheduling frequency.

HQUS accepts the NYISO's view that Ramp Constraints should be built in RTC and RTD, ramp being a standard constraint to border transactions in all markets. However, HQUS is of the view that the calculation of those constraints needs to be made transparent to market participants, in the same spirit as Order 890 directed transmission providers to make transparent their ATC calculation methodologies.

HQUS' proposal is not simply driven by philosophical considerations, but also by very real market considerations: unlike the current top-of-the-hour 700 MW NYCA Ramp Constraint, which binds at most twice every day, the Ramp Constraints are likely to bind very often and will directly affect market participants' ability to pay, or be paid, the full economic value for the megawatts they buy or sell in the market. Whatever their determined values, the Ramp Constraints are likely to alter a market participant's incentive to transact at its true reservation price, and this can only result in fewer megawatts being imported or exported, and at less than optimal prices. But this result will be exacerbated if the Constraints are set too conservatively. HQUS believes that this must be addressed.

2. The proposed Tariff language should be expanded to clarify how the Ramp Constraint values can be changed in the future.

By default, absent specific language in the MST, the determination of the Ramp Constraint values falls to the NYISO's operational discretion. HQUS understands that the Ramp Constraint values mentioned above will be fixed, but may be reviewed in the future as appropriate. It is not clear to HQUS how the NYISO would determine that it is now "appropriate" to do so. This should be clarified as part of the Tariff language being developed.

It is also not clear to HQUS why the Ramp Constraint values have to be fixed and why they should not change according to market conditions (e.g., availability of flexible internal resources to be dispatched up or down). A better approach would be to set the Ramp Constraints in the same fashion as the NYISO determines the ATC, e.g., depending on market conditions and real-time availability of flexible internal resources, and make the real-time ramp values known to the market through specific postings.

HQUS therefore recommends:

- 1. Expanding the proposed MST language to require the NYISO to make publicly available any documentation supporting its determinations of the top-of-the-hour and intra-hour Ramp Constraints, including a description of the methodology or methodologies it uses to determine the numerical Ramp Constraint values.
- 2. Expanding the proposed MST language to require the NYISO to make the Ramp Constraint values dependent on market conditions, and especially on the real-time availability of flexible internal resources. Alternatively, the Tariff language should clarify what criteria the NYISO will use to determine when it is appropriate to change the Ramp Constraint values.

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