Increasing Bids in Real-Time

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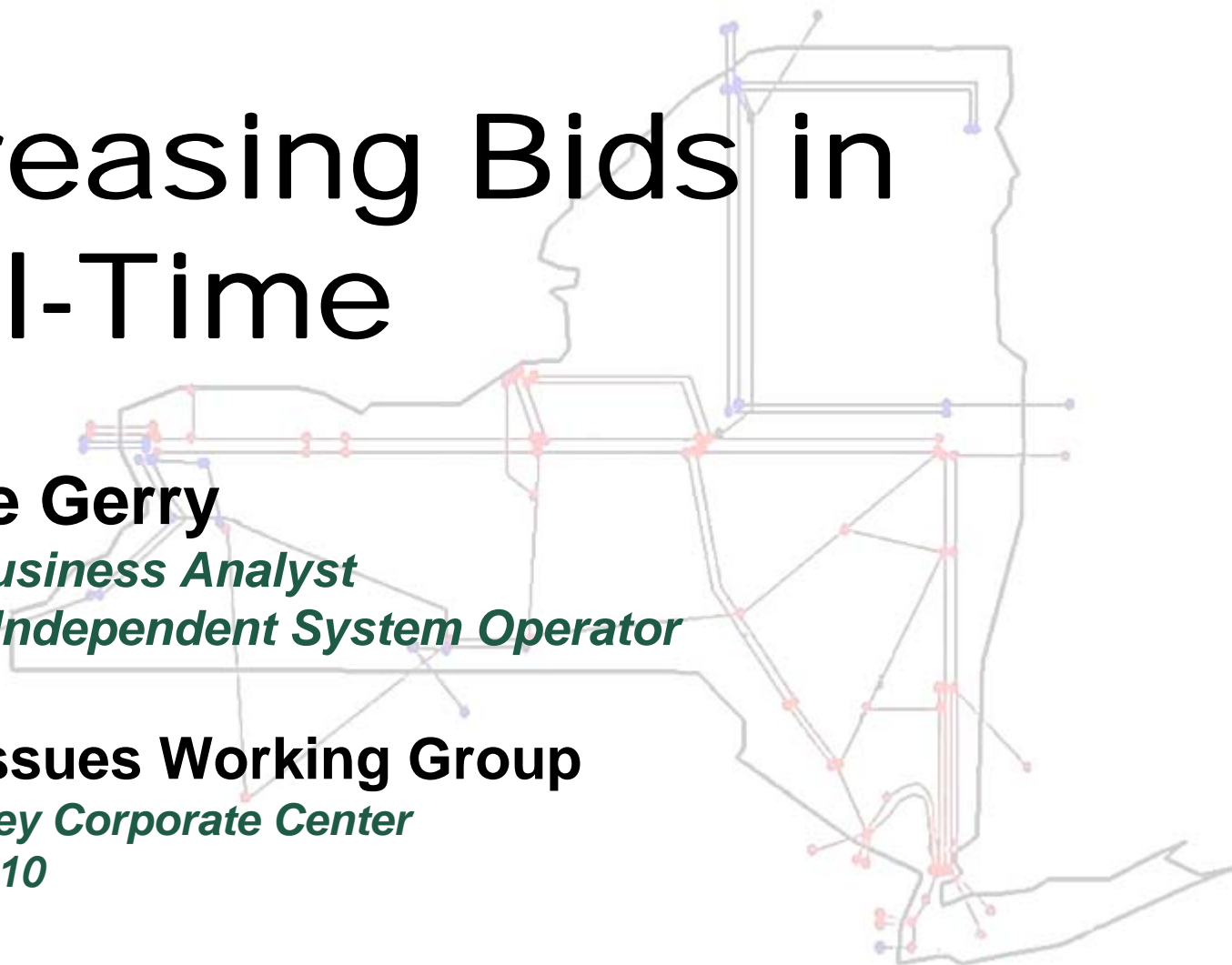
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Issue

- An MP's actual cost of running a generator at its day-ahead committed level may increase in real-time. Examples include:
  - *Fuel cost increases*
  - *Fuel type switching*
- No NYISO mechanism exists today for generators to manage increases in their actual cost incurred to meet their DAM commitments

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Objectives

- Improve risk management opportunities for generators associated with cost increases in real-time

- More accurately reflect in-day actual production cost of energy in RT LBMPs

- Maintain Load and Balancing Market settlements

  - *Loads that purchase DAM energy continue to pay the contracted DAM price. Anyone in the balancing market continues to buy/sell balancing energy at the RT price*

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Current Rules

- DAM-committed generators are not permitted to increase:

  - *Incremental Bids for generation that received a DAM schedule*

  - *Minimum Generation Bids*

- Only permitted to increase the incremental energy bid curve on RT bids above generator's DAM schedule

Proposed Rules

- Allow generators to increase the RT bids for DAM-committed incremental energy
  - *For fuel-related cost or type changes:*
    - MPs may submit fuel type and fuel cost information with updated RT bids, if they choose to use this feature
    - Reference Level Software (RLS) will use fuel costs to adjust reference levels, subject to RLS rules
    - Available fuel types must be provided/approved ahead of time
    - MPs are expected to use this feature to submit fuel type and fuel cost information if timing and permissions allow, rather than contact MMA to request reference level adjustments
  - *For other cost increases:*
    - MPs will submit updated RT bids if they choose to use this feature
    - MPs may continue to contact MMA with reference level adjustment requests

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Proposed Rules - cont'd

- Minimum Generation MW Bid cannot be changed

- Minimum Generation Bid ($) cannot be increased

- Start-Up Cost ($) cannot be changed
  - *For DAM-committed units, start-up cost was already used in SCUC and reflected in generator's DAM schedule and settlement*

MST Modifications

- Market Services Tariff, Section 4.4.2 B. 1.
    - *Revise language to indicate that Generators not otherwise prohibited from doing so pursuant to other provisions of the tariff **may** increase their Incremental Energy Bids submitted Day-Ahead and applicable to the portion of their Capacity that was scheduled Day-Ahead.*

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MST Modifications

- Market Services Tariff, Section 5.2 C. [NEW]

  - *Add language to indicate that the ISO may temporarily suspend the ability for all Generators to increase their Incremental Energy Bids submitted Day-Ahead and applicable to the portion of their Capacity that was scheduled Day-Ahead.*

  - *Similar to language regarding Suspension of Virtual Transactions (Section 5.2 B.)*

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MST Modifications

- Market Services Tariff, Section 4.1.7

  - *Revised language was distributed at Feb. 25, 2010 MIWG as part of Strategic Tariff Review (STR)*

  - *STR changes will be removed from 4.1.7. Changes to 4.1.7 will be included with Increasing Bids in Real-Time tariff changes instead.*

  - *Revise language to indicate that 4.1.7 pertains only to costs incurred for a Real-Time commitment for NYCA reliability or local system reliability that were not bid and not recovered in the Dispatch Day.*

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MST Att. J. Modifications

- ## MST Attachment J, Section 2.0
  - *Add language to indicate that no DAMAP shall be paid a Generator for:*
    - any hour in which the Generator has increased its Incremental Energy Bids submitted Day-Ahead and applicable to the portion of its Capacity that was scheduled Day-Ahead; and
    - the two hours immediately preceding and the two hours immediately following the hour(s) in which the Generator has increased its Incremental Energy Bids submitted Day-Ahead and applicable to the portion of its Capacity that was scheduled Day-Ahead

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MST Att. H. Modifications

- Concern: Generators could raise their incremental energy offers in real-time in combination with virtual load bids. Generator could receive high RT prices on virtual load, and affiliates could benefit from increased generation revenues and/or virtual bidding.

  - *Mainly a concern if the Generator possesses market power*
    - Generator would have to know that it will be committed in DAM, that it will be needed in RT, and that it will set the RT price. Scenario also assumes that no mitigation occurs.

  - *Less of a concern if the Generator submits virtual load bids and also increases incremental energy offers in RT due to legitimate cost increases*
    - Hedging mechanism
    - Balancing market obligation on incremental energy
    - Less of a concern with zonal virtual trading

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MST Att. H. Modifications

- Resolution:
  - *Monitor Generator Owners who submit bids in virtual market and also increase bids in RT on Day-Ahead scheduled incremental energy for given market day*
  - *Monitor affiliate positions in virtual market*
  - *Submit concerns to the MMU for possible referral to FERC Office of Enforcement*
  - *The MMA/MMU will jointly determine if an interaction between virtual bidding and Increasing Bids in Real-Time is unjustified*
  - *If interaction is determined to be unjustified*
    - Generator and/or affiliates will not be allowed to participate in Increasing Bids in Real-Time

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MST Att. H. Modifications

- Resolution – cont'd:
    - NYISO may impose penalties based on 1) generation revenues of mitigated MP or its affiliates and 2) estimated virtual market revenues gained by mitigated MP or its affiliates, as a result of the mitigated bidding behavior
        - Proposed generation penalty =
          Penalty multiplier * (DAM-scheduled output of the generating unit(s)) * (Excess of the generating unit's Real-Time LBMP over its Day-Ahead LBMP)
        - NYISO proposing to start generation penalty multiplier at 1.5

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MST Att. H. Modifications

- Resolution – cont'd:
  - Proposed virtual market penalty = Penalty multiplier * (Virtual Load MWs) * (Excess of the Real-Time LBMP over the Day-Ahead LBMP applicable to the Virtual Load)
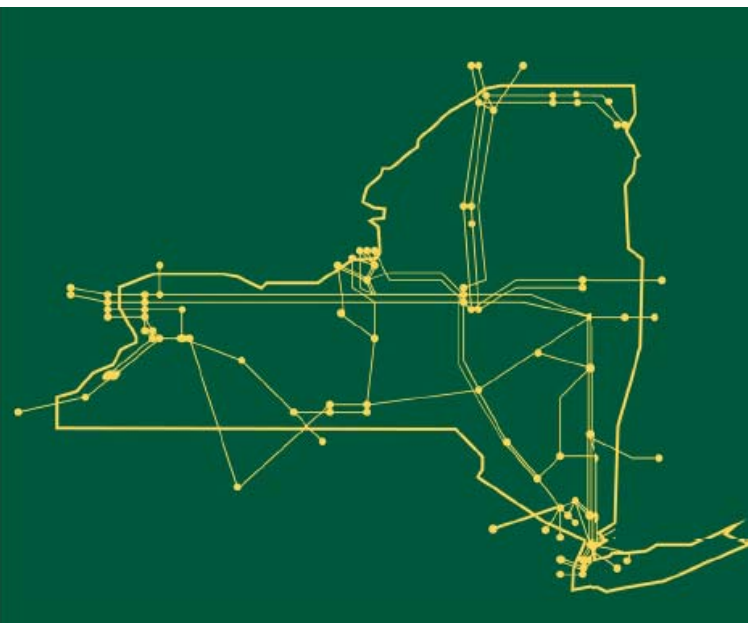 - NYISO proposing to start virtual market penalty multiplier at 1.5

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MST Att. H. Modifications

- NYISO is considering what steps should be taken to address submittal of inaccurate fuel cost or fuel type information by MPs

- New section will be added to Att. H. for Increasing Bids in RT changes

Next Steps

- Collect MP feedback on proposal
- Return to Mar. 25 MIWG with proposed tariff language
- Seek BIC approval in Apr. 2010
- Targeting Q3 2010 deployment (dependent on RLS Q3 deployment)

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