

## **MMP Investigation of the January 2004 TCC Reconfiguration Auction**

Requestor	[REDACTED]		
Facility Name	N/A		
Date of Request	March 17, 2004		
Type of Facility	N/A		
Topic of Investigation	January 2004 TCC Reconfiguration Auction		
Investigator:	Robert Boyle		
Investigation Initiation Date	March 26, 2004	Completion Date	May 25, 2004
Date of Issuance			
Case Number	20040319120242		

### **Introduction:**

On February 17, [REDACTED] submitted a request to the Market Monitoring and Performance (MMP) Department to investigate the Transmission Congestion Contract Market design. [REDACTED] expressed a concern that the January 2004 Reconfiguration Auction was not competitive and that the lack of competition resulted in “astronomical” prices. In response to [REDACTED] request, the MMP analyzed the January Transmission Congestion Contract (TCC) Auction to evaluate this issue.

### **Basic Review of Congestion Market**

Transmission Congestion Contracts (TCCs) are financial obligations that provide an alternative to physical transmission reservations. A TCC represents the right to collect, or the obligation to pay, the Day-Ahead TTC Rents associated with one (1) megawatt (MW) of transmission between a specified Point of Injection (POI) and specified Point of Withdrawal (POW). The Day-Ahead Congestion Rents are determined by the difference in the Congestion Component of the Day-Ahead LBMP at the POW of the TCC and the Congestion Component of the Day-Ahead LBMP at the POI of the TCC, for each hour of the effective period. TCCs are purchased by a market participant through the monthly or biannual NYISO TCC auction process, or through third party sales made by a TCC holder. A cost optimization algorithm using bids and a power flow model determines the auction equilibrium outcome of a TCC and awards market participants the TCCs.

### **Analysis performed:**

The NYISO initiated an investigation on March 19, 2004 at the request of [REDACTED] to analyze the results of the January 2004 TCC Reconfiguration Auction and determine if the outcome was competitive. MMP analyzed the bids, auction market rules and the behavior of market participants surrounding the January 2004 Reconfiguration auction. The analysis of the bids for January 2004 TCC Reconfiguration Auction indicates that the behavior of the market participants and the auction market rules are consistent with a competitive marketplace.

The January 2004 TCC Reconfiguration Auction included the modeling of an outage of a transmission circuit in the Consolidated Edison Company of New York, Inc. area. Rules that were in effect at the time required that the affected lines be modeled out of service.

**Outcome:**

The January 2004 TCC Reconfiguration Auction was determined to be competitive. There were no barriers to Market Participants for entry into the TCC auction. The bids, auction rules and behavior of market participants were analyzed. Market rules allow a bidder to submit and get awarded a bid for a very high amount. High bids for counter flow TCCs are not an indication of a non-competitive market. If there are sufficient bids for the auction to clear, then the NYISO will pay the clearing price necessary to achieve a feasible solution to the power flow model. This does not indicate that there is a market flaw. In the January 2004 Reconfiguration auction, the NYISO received a range of bids from multiple unrelated market participants and appropriately accepted the lowest price portfolio of bids/offers that were available to it. [REDACTED]. It is not possible to determine the amount of counter flow TCCs needed until the power flow model solves, [REDACTED]. [REDACTED].

**Conclusion:**

The NYISO MMP concludes that the results of the January 2004 TCC Reconfiguration auction were competitive.