

Evolving Financial Transaction Capabilities: Market Design Proposal

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Agenda

- **Project Overview**
- **Market Design Proposal**
- **Draft Tariff Revisions**
- **Next Steps**
- **Appendix**
 - Bilateral transaction background presented to MIWG on 2/7/23

Project Overview

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- **While current NYISO software accommodates bilateral transactions, it does not enable Withdrawal-Eligible Generators to be sinks for bilateral transactions**
 - This year's project will enhance bilateral transaction functionality by creating the opportunity within NYISO software for bilateral transactions in which a Withdrawal-Eligible Generator can be a sink
- **Deliverable: Q4 2023 – Software Design Specification**

Market Design Proposal

Market Design Proposal

- **Enable withdrawal-eligible generators to be the sink of internal bilateral transactions**
 - NYISO will need to develop the capability for bilateral transactions to sink at withdrawal-eligible generator buses in addition to at load buses
 - This approach will leverage the existing bilateral framework to minimize incremental software changes; Still, the necessary changes will impact many NYISO systems
 - Will use generator LBMPs for purposes of calculating the TUC (i.e., the difference between the source generator LBMP and the sink, aka, withdrawal-eligible generator LBMP), which is the same concept as existing bilateral transactions with a source generator and a sink load

Draft Tariff Revisions

Draft Tariff Revisions

- **Revisions are posted with today's meeting materials to MST 4.2, MST 7.2, and OATT 16.3**
 - Modifying phrasing to enable internal bilateral contracts to sink at a Withdrawal-Eligible Generator
 - Provisions for notifying the ISO before any ESR or Aggregation containing one or more ESRs becomes (or will no longer be) subject to a retail rate for its charging withdrawals

Next Steps

Next Steps

- Targeting May BIC and MC
- Q4 Software Design Specification

Appendix

Bilateral Transactions Background

- **Specific generators and loads may choose to enter into a bilateral transaction instead of transacting energy in the NYISO markets**
 - These agreements may be driven by interest from both parties in price certainty
 - Today, internal bilateral transactions source at NY Gen Bus and sink at NY Load Bus
- **Bilateral transactions schedule transmission service for a certain amount of MW across a particular time period in 1-hour increments**
 - MPs are required to submit details of their bilateral transactions in the NYISO's Marketplace software
- **Bilateral transactions can be scheduled in both the DAM and RT market**
- **Bilateral transaction schedules are independent of physical generator schedules and dispatch**

Bilateral Transaction Settlements

- **Payments for energy between entities engaged in bilateral transactions occur outside of the NYISO settlements process**
- **Generators settle the difference between their Day-Ahead energy schedule and bilateral contract MW at the generator bus in the DAM**
 - A comparable process occurs in Real-Time Market
- **The Financially Responsible Party (FRP) pays the appropriate Transmission Usage Charges (TUC) for a bilateral transaction**