New York ISO
Independent System Operator

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

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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**

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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

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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

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Next Steps

Next Steps

- 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**

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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

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