New York ISO
Independent System Operator

# Market Purchase Hub Transactions


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# Agenda

- Background
- Proposed Market Design
- Next Steps

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# Background



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# Background

- Netting of Bilaterals (Trading Hubs) initiative was first proposed in 2008 but was limited to balanced transactions.
  - 6/10/2009 BIC Presentation
  - 7/29/2009 NYISO Filing Letter to FERC
- Market Purchase Hub Transactions is a stakeholder requested project which proposes that the NYISO expand on Trading Hub rules to allow unbalanced transactions.
  - LIPA Proposal Presentation
  - Market Purchase Hub Transactions Project Kick-off
- The 2024 deliverable for this project is Market Design Concept Proposed (MDCP).

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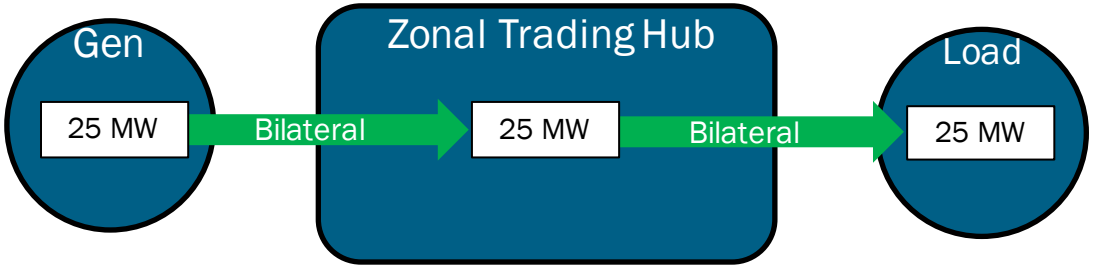
# Balanced vs. Unbalanced Transactions

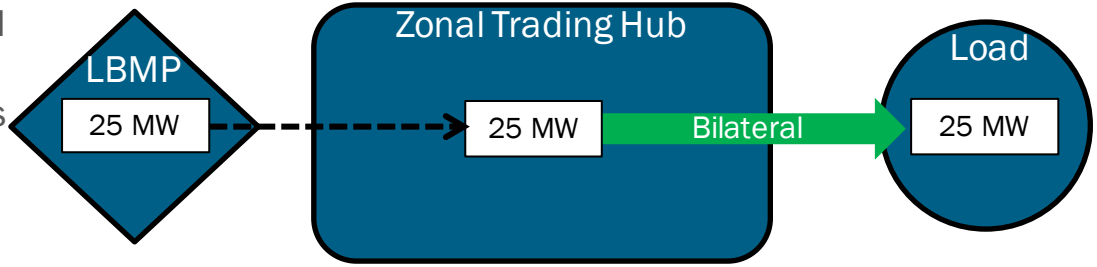
## Balanced transactions

- Trading Hub Energy Owner (THEO) sinks the same amount of energy as they source.
- Only transmission service is purchased in NYISO markets.




## Unbalanced transactions

- THEO sinks either more or less energy than they source.
- THEO must settle imbalance at zonal LBMP.
  - Alternative example: if Gen has a 10 MW bilateral to Trading Hub and the bilateral to Load=25 MW, THEO must purchase remaining 15 MW from LBMP market.

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# Project Objectives

- **The market design concept will propose modifying zonal trading hubs by allowing unbalanced transactions to provide additional flexibility in scheduling of hub transactions.**
  - This market design would allow a Market Participant to establish unbalanced transactions to purchase power from the NYISO market for ultimate delivery to load.
- **Purpose is to allow physical service to load, not virtual transactions.**
  - Transactions must be limited to the physical capabilities of the transmission system to avoid potential compliance implications with the regulatory exemptions the CFTC granted to ISOs and RTOs in 2013.
- **Would need to address collateral and energy imbalances.**
  - Exploring mechanisms to transfer responsibility for these requirements to LSE.
- **The market design concept will identify tariff, software, and procedural changes necessary to allow these enhancements.**

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# Proposed Market Design



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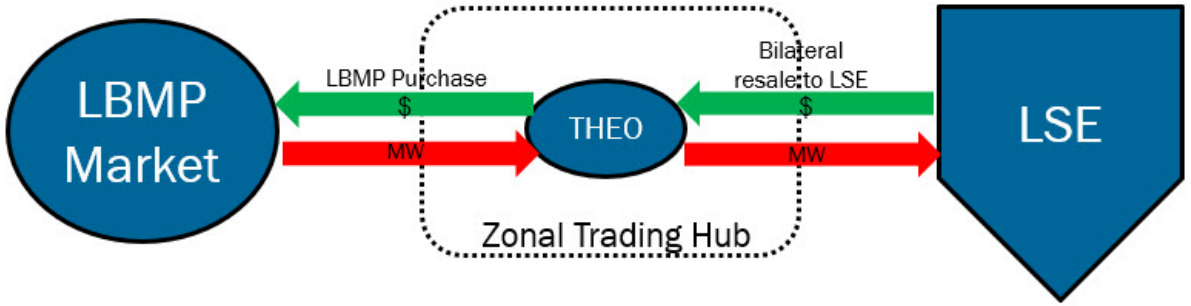
# General Transaction Scheme




- NYISO would recognize the marketer as the Trading Hub Energy Owner (THEO) and the transaction as a purchase by marketer from the wholesale market for resale to the LSE.
- This example results in an unbalanced transaction at the Trading Hub.
- Credit responsibility for wholesale market purchases will be borne by each buyer.
- THEO also has the existing option of receiving bilaterals instead of, or in addition to, buying from the wholesale market.

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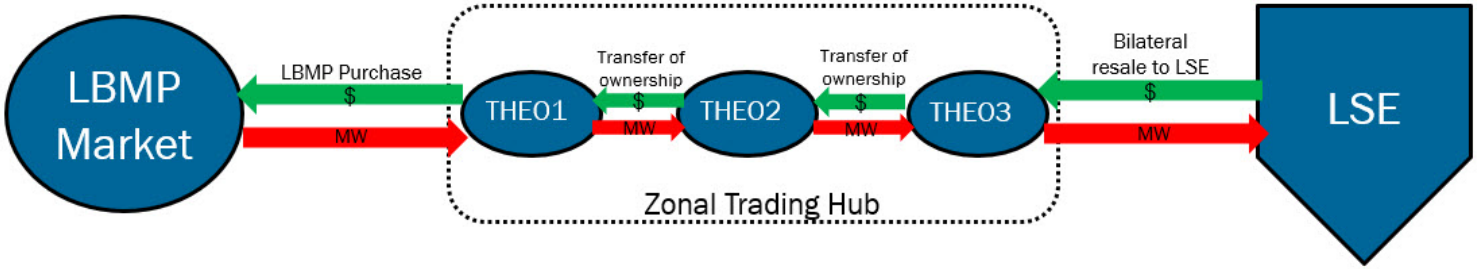
# Alternative Transaction Scheme




- NYISO would allow purchase of energy by THE01 from the wholesale market for resale to intermediary marketer (THE02), then to THE03, ultimately for final resale to LSE (LIPA).
- Transfers of ownership will be simultaneous.
- Credit responsibility for wholesale market purchases will be borne by each buyer.
  - We are exploring mechanisms to limit functionality and have different credit obligations of "pass-through" marketer (THE02).
- THE0 also has the existing option of receiving bilaterals instead of buying from the wholesale market.

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# Proposed Rules/Details

- Trading Hub purchases will only be enabled at load zone locations.
- Transfer between trading hub participants and LSE/load buses will be limited to the same load zone.
- Scheduled transactions will utilize our existing buyer, seller, and FRP confirmation process.
  - MW and location will be agreed upon ahead of time.
- Unbalanced trading hub purchases will be limited to the day-ahead market.
- Transfer between entities will be accounted for in DAM settlements.

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# Proposed Rules/Details Cont.

- Traders will balance their position in the DAM; not carry their position forward into RTM like a virtual transaction.
- Transfers out of the trading hub will be limited to the level that is supported by purchases and transfers in.
  - Traders will not be able to transfer out of a trading hub more MWh than they purchase unbalanced or transfer in via a bilateral.
- Unbalanced purchases, meaning those sourced from the wholesale market and sunk at the Trading Hub, will be price-taking bids.
- Credit Requirements are yet to be determined.

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# Next Steps



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# Next Steps

- Return to MIWG with stakeholder feedback (Date TBD)
- Determine necessary tariff, software, and procedural changes
- 2024 Project Deliverable: Market Design Concept Proposed (MDCP)

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# Our Mission & Vision

## Mission

Ensure power system reliability and competitive markets for New York in a clean energy future

## Vision

Working together with stakeholders to build the cleanest, most reliable electric system in the nation

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