

Intertie OR Pricing

When the interties fulfill the complete OR requirement

Agenda Item # 3

Intertie Trading Sub-committee

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Agenda

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- 2 - What is being done in the interim?
- 3 - What is the permanent solution?
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How is the price set today?

The Predispatch (PD) process selects economical resources including imports and exports for energy AND operating reserve. For intertie resources the PD selection becomes a binding schedule that typically remains fixed for a given hour, unlike internal resource scheduling.

When the OR requirement is completely fulfilled with OR offers from the interties the current pricing systems may create an incorrect price for that commodity in RT. (Typically 30-minute reserve at ~450 MW is the only commodity that can be supplied solely by the intertie offers.)

There is a defect in the pricing algorithm that can cause the price for that OR commodity to be set incorrectly at \$0/MWh.

What is being done in the interim?

To date this scenario has impacted only one MP and has only affected the RT 30-minute OR price.

The IMO has, in conjunction with the affected MP, developed a manual process to ensure that the MP is paid the MCP for the 30-minute OR.

The “would be” price is determined through an administered pricing approach (i.e. the last good MCP for 30-minute OR) and is recovered through existing recovery vehicles.

Assuming the average 30-minute OR price is \$3 and the requirement is 450 MW then this represents a settlement adjustment of ~\$1400 per hour that this occurs.

What is the permanent solution?

The IMO is developing and testing a system change that will eliminate the problem within the algorithm. This system change will then yield the correct price when the interties fulfill the complete OR requirement.

Timing of Change.

The implementation of this change will be coordinated with the market-facing release currently scheduled for June 23, 2004.