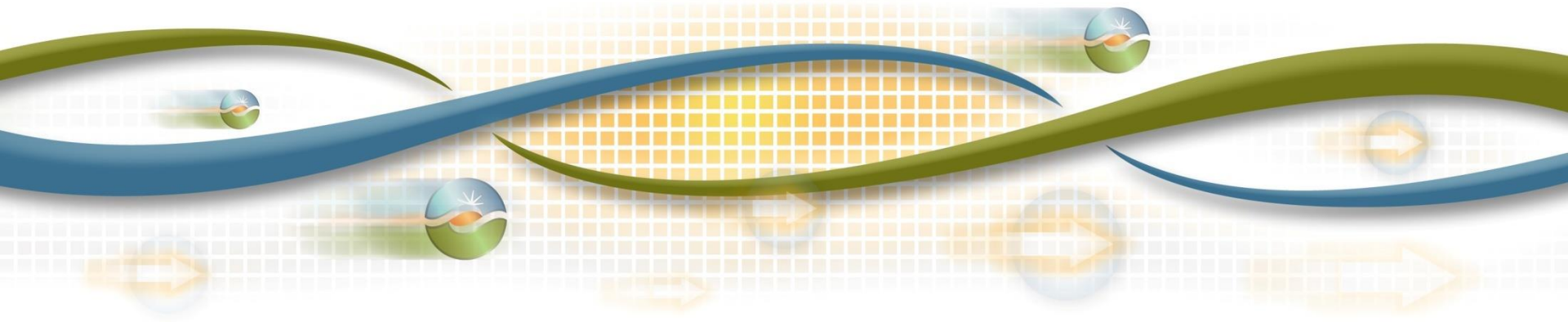


# Convergence bidding

Participant relationships



# Defining market participants and relationships module objective

By the end of this section, you will be able to:

- Describe the difference between a convergence bidding entity and a scheduling coordinator
- Describe the credit relationship between a scheduling coordinator and SCIDs used in the market
- Describe the relationship between a convergence bidding entity and a congestion revenue rights holder within the same corporate organization

# Participants in the market



Convergence  
bidding entity  
(CBE)



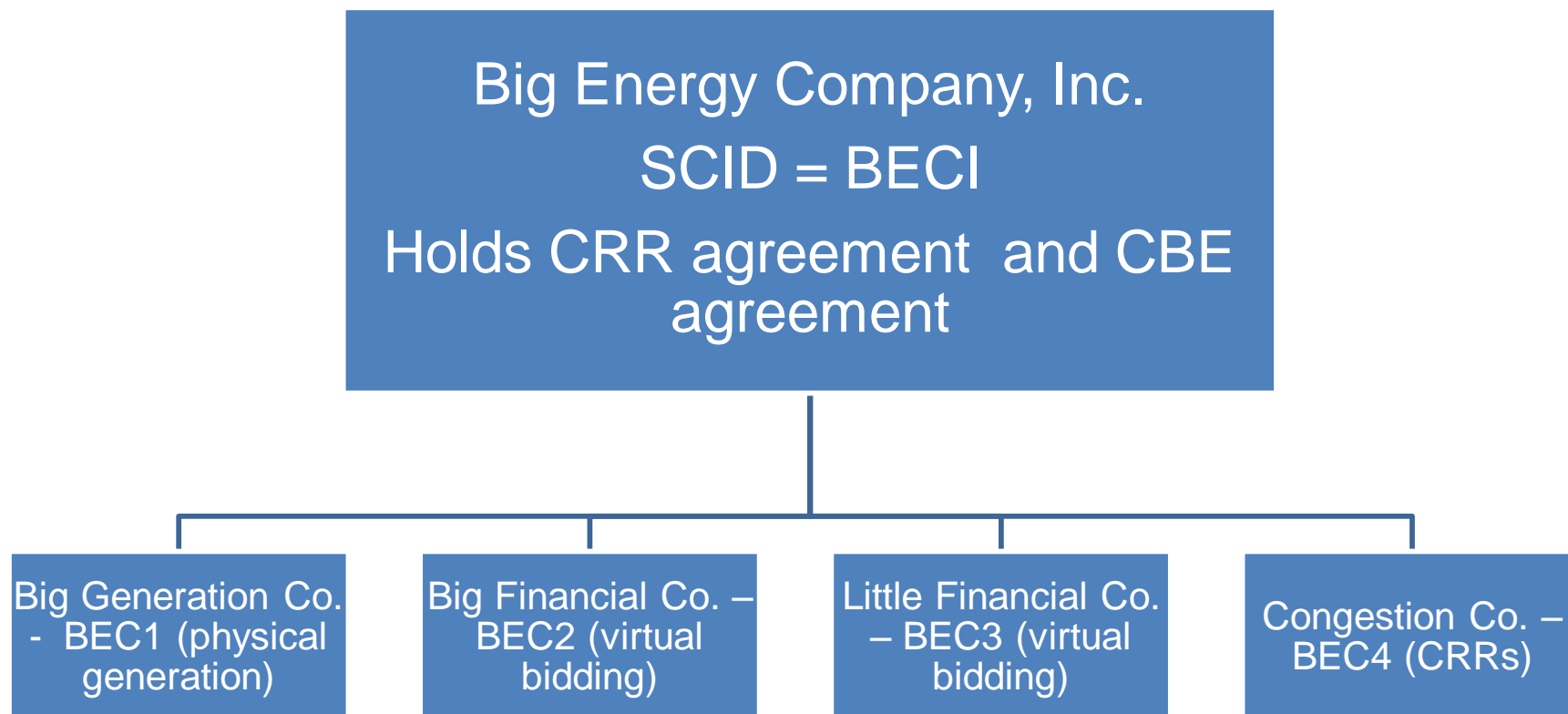
Scheduling  
coordinator  
(SC)



Congestion  
revenue rights  
holder (CRR)

- Each type of participant signs an agreement with the ISO
- Agreements are separate and distinct participation agreements
- Participant may be one type of or all of them

# Example - market participant



# Participants in the market – convergence bidding entity



- May be a certified scheduling coordinator or
- May use a certified scheduling coordinator
- Must identify which SCIDs will be used for virtual bidding in the market
- Must identify corporate affiliates

## Participants in the market – certified scheduling coordinator



- May have multiple SCIDs used in the market
  - Physical
  - Virtual
  - Congestion revenue rights
  - Company specific (if agent)
- If scheduling coordinator uses more than one SCID in the market, all SCIDs roll up to the parent SC for credit collateral
- Virtual bids checked against the SC's credit collateral
- Virtual bids may be disapproved based on a “last in – first out” methodology

## Defining relationships – parent SC to market SCID

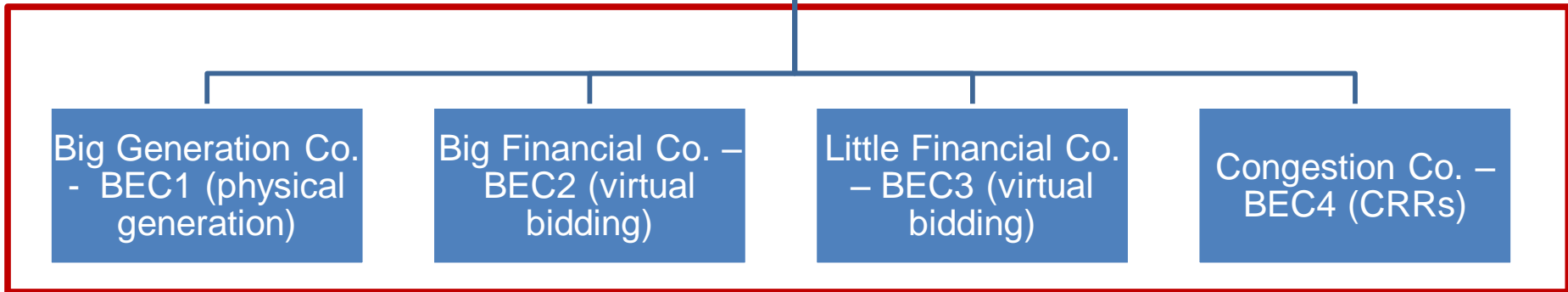


- Parent SC may have more than one SCID (child SCs) used in the Market
- Parent SC establishes the credit collateral for all SCIDs
- Transactions validated against credit system to ensure enough collateral exists at the parent SC level to support the market transaction.
- Market transactions will be “batched” together upon submission to the market
- Insufficient collateral results in disapproved transactions based on “last-in / first-out” methodology

# Participant relationships – credit collateral examples



Big Energy Company, Inc.  
SCID = BECI  
Holds CRR agreement and CBE agreement



- If any SCID schedules into the market, credit collateral is checked at Big Energy Company level
- If credit collateral is not sufficient to support virtual bids, bids will be disapproved on “last in / first out” methodology

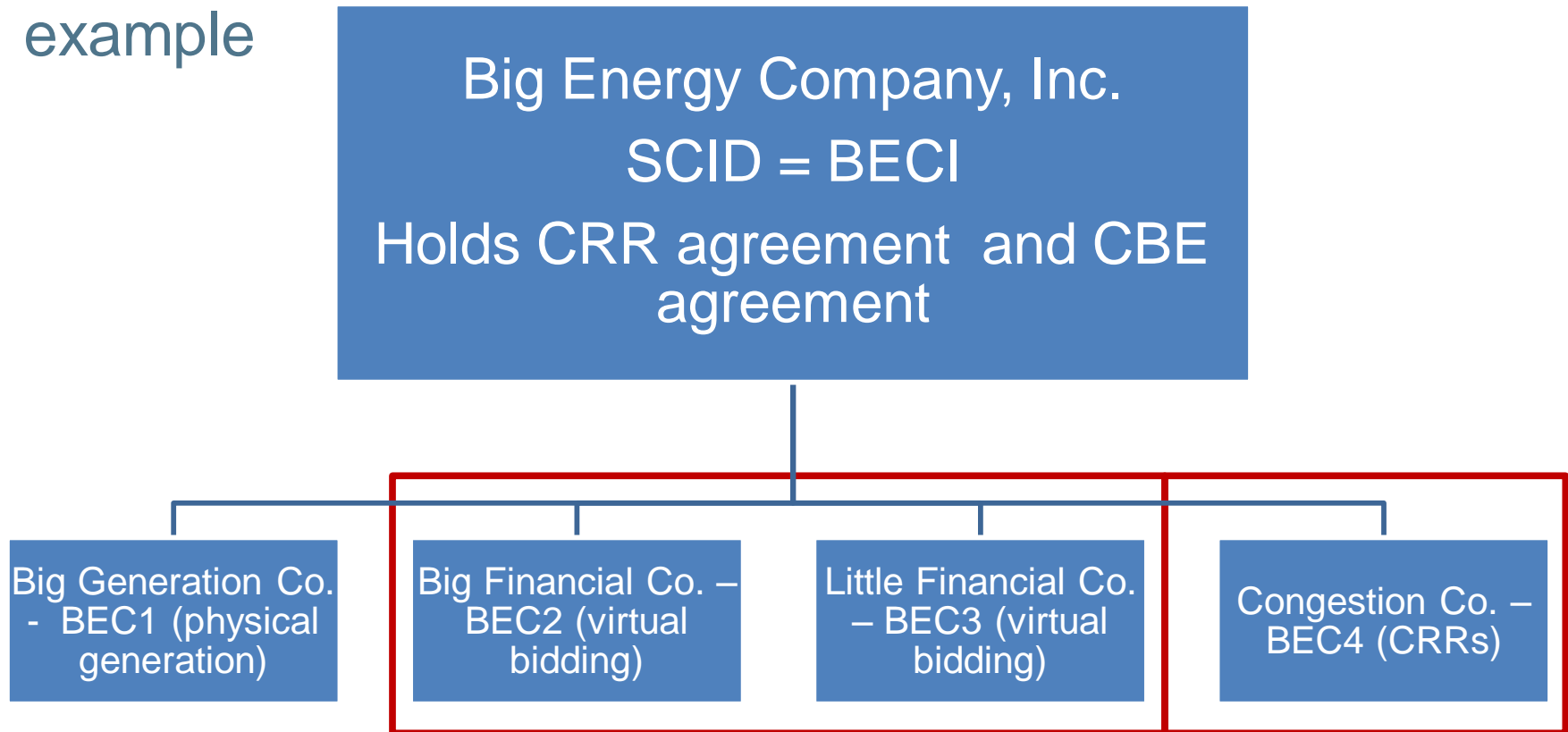


## Participants in the market – congestion revenue rights holder



- May or may not actively participate in the markets
- Own congestion revenue rights from a source to a sink
  - Peak or off-peak
  - Seasonally
  - Acquired in allocation or auction process or in secondary market
- May be subject to the CRR settlement rule if also participating in virtual markets
- Will be subject to evaluation by DMM if affiliated with a market participant engaged in virtual bidding

# Participant relationships – CRR settlement rule example



- Virtual bids impact congestion
- If virtual bids are determined to impact CRR net revenue (subject to specific criteria), CRR settlement rule will be triggered

# Participant relationships – CRR settlement rule and affiliates example



Big Energy Company  
Signs an SC agreement – SCID = DABR  
Signs a CRR agreement  
Signs a CBE agreement



Community  
Energy Services  
of Folsom  
SCID: CFOL

- Big Energy Company acquires a small company – Community Energy Services of Folsom who signed a CRR agreement with the ISO and owns CRRs in the ISO market
- If virtual bidding from Big Energy Company increases the revenue of the CRR portfolio for the Community Energy Services of Folsom, the CRR settlement rule will not apply to Community Energy Services of Folsom, but
- Will be monitored and may be reported to FERC

## Defining market participants – summary

- Convergence bidding entity participates in virtual bidding only and may use more than one scheduling coordinator to place bids in the market
- The parent SC holds the credit collateral requirement for all the child SCIDs
- A convergence bidding entity may use more than one SCID to participate in the market
- A convergence bidding entity who is also a congestion revenue rights holder will be subject to the congestion revenue rights settlement rule

## Defining market participants – summary

- Convergence bidding entities will need to disclose all affiliates at the corporate signatory level for holders of congestion revenue rights
- Convergence bidding entities who are also owners of congestion revenue rights will be evaluated for the CRR settlement rule for every SCID used for CRRs and virtual bids.