

# Decision on market parameter changes enhancement

Guillermo Bautista Alderete  
Director, Market Analysis and Forecasting

ISO Board of Governors and WEIM Governing Body  
Joint general session  
March 22, 2023

## Management proposes changes related to two market parameter requirements

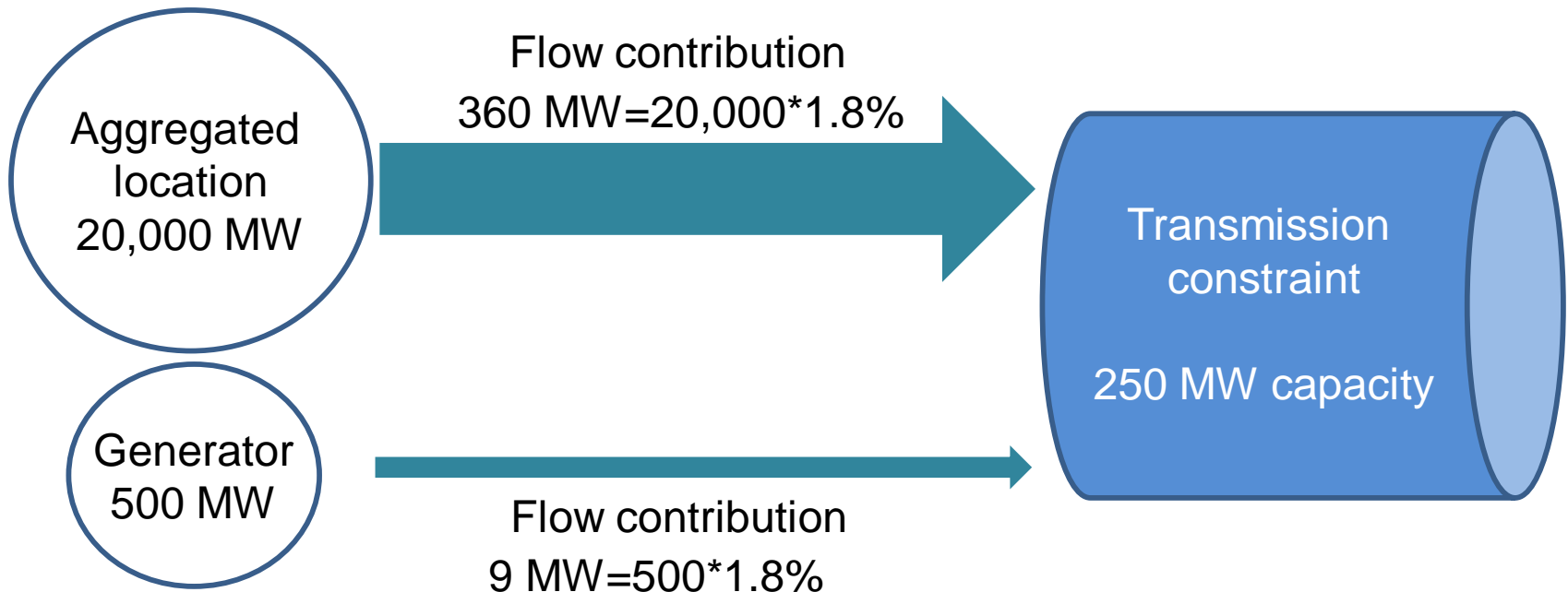
1. Application of a reduced shift factor threshold to aggregated locations
2. Procedure to expedite scheduling parameters changes when production issues arise

These two items are severable and not interdependent

## Background -Shift factor threshold

- The market systems estimates parameters known as “shift factors” that measure the contribution of a resource at certain locations to power flows to address a given transmission constraint
- Shift factors threshold values direct the market software on what resources to use manage congestion in the energy markets which forms and determine resource dispatches and the price for congestion in the market
- The current threshold setting is set to 2% to balance ineffective redispatch consistent with good utility practice and handle computational burden

# Management identified an inefficiency with using a shift factor threshold for aggregated locations



Although default load aggregation points may have a shift factor below 2%, their MW contributions to flows can still be significant

## Current threshold has unintended inefficiencies in congestion used for settlement of congestion revenue rights

- Injections at locations with a shift factor below 2% will not be considered in congestion management (dispatches and prices)
- Relative to small-capacity constraints, the flow contribution from aggregated locations can be too large to disregard, even when their shift factor is below 2%
- Results in under-collection of congestion revenue from the energy market to fund released congestion revenue rights

## Management proposes a lower shift factor threshold for certain aggregations in the ISO balancing area

- A 0.2% will apply only to default load aggregations points, trading hubs, and certain interties that share the same aggregation implications in the ISO balancing area only
- Current threshold of 2% will continue to apply to any other location
- Proposed logic will apply to both day-ahead and real-time markets

## Background - Procedure to expedite parameter changes

- Energy market systems use a set of scheduling parameters to enforce the relative scheduling and relaxation priorities in the market clearing process
- All parameters work in synchronization and require ongoing monitoring of their performance
- Under certain conditions, specific values can result in unintended or inefficient outcomes that may require expedited adjustments to the value to remain consistent with intended priorities

## Management proposes to adopt a procedure that allows the ISO to make expeditious parameter changes

- This procedure will allow a scheduling parameter change for up to 90 days, provided ISO file such change within 30 days of the modification
- If circumstances reasonably allow, the ISO will consult with the FERC and the Department of Market Monitoring about this change
- The ISO will notify the market of the change within one (1) business day
- Process will not allow for changes to relative scheduling priorities
- Similar provisions are in place in other ISOs and RTOs



Stakeholders generally supported the overall proposal, some expressed concerns with specific elements

- Some suggested the lower threshold should apply to intertie locations or to all locations
- A stakeholder expressed concerns with the lower threshold resulting in higher prices
- A stakeholder expressed interest in better understanding the decisional classification if this may impact future Extended Day-Ahead Market (EDAM) participants

Management recommends the WEIM Governing Body advise the ISO Board of Governors of its support for the proposal to apply a 0.2% shift factor threshold to ISO–only aggregated locations

- Proposal improves effectiveness of aggregate locations in congestion management and prices will more accurately reflect the price of congestion
- The settlements of congestion revenue rights will be more sufficiently funded by congestion revenue rights collected in the ISO day-ahead energy market

Management recommends the ISO Board of Governors and WEIM Governing Body approve the proposal to implement a process to expeditiously change scheduling parameters when production issues arise

- Proposal improves the market efficiency by enabling the ISO to nimbly address market outcomes that do not align with intended scheduling priorities