

Market Pricing, Transparency and Liquidity Discussion with MSC

Ellen Wolfe

Resero Consulting on behalf of the
Western Power Trading Forum

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Problem statement

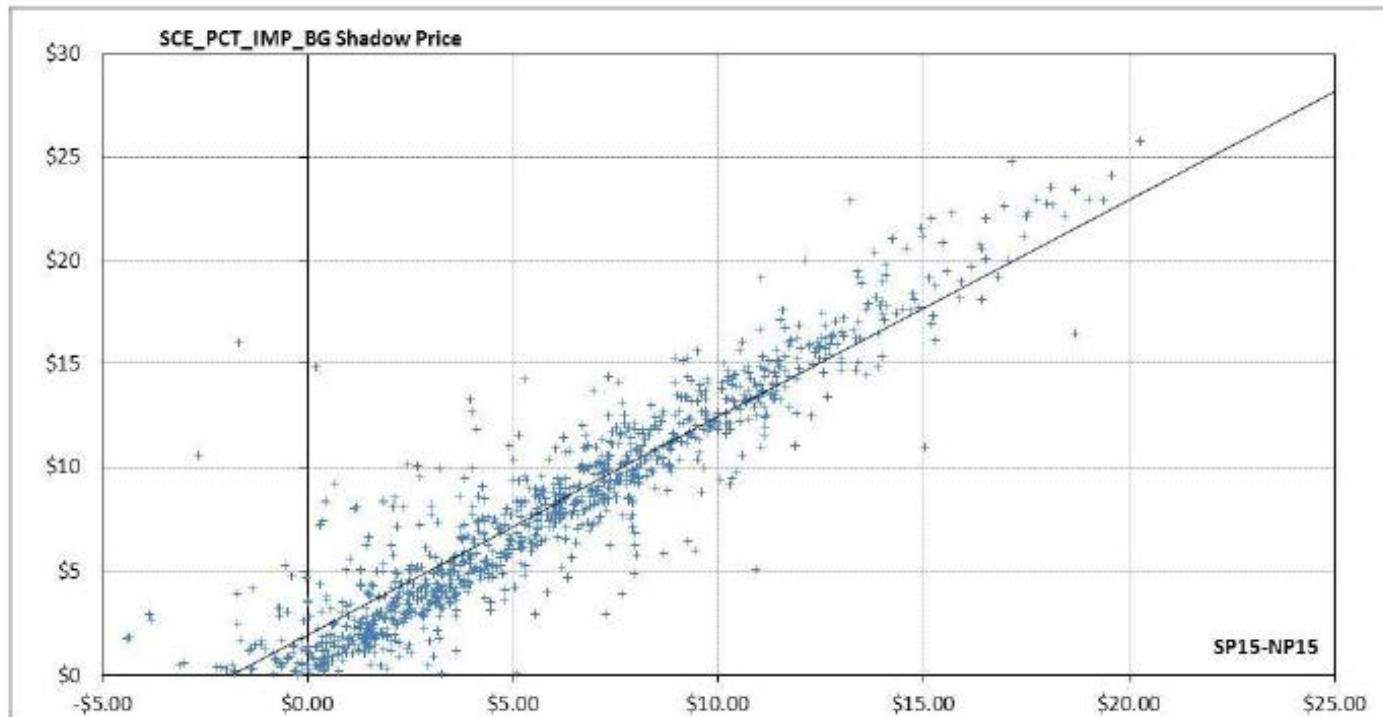
- Uncertainty, unpredictability (e.g., unexplained volatility), lack of transparency, and the inability to understand market outcomes adversely affect market efficiency
- In our experience the volatility, unpredictability and the inability to make sense out of market results has been worsened in the last few months
- Some of the most critical market constraints seem less transparent

NP/SP price split

- The price difference between NP and SP used to be explained by Path 15 and Path 26 congestion
- Now it seemingly is driven by the SCE Import Limit constraint

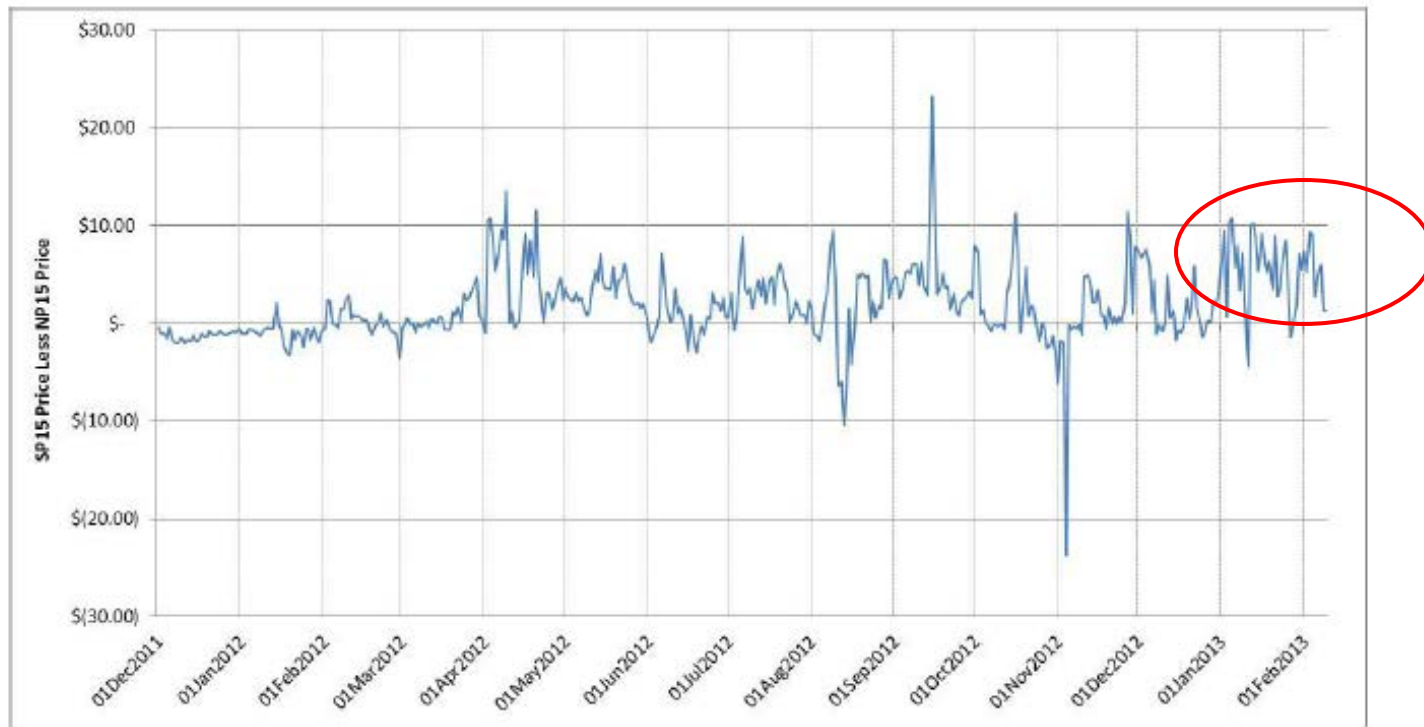
Strong Linkage of NP/SP price spread and SCE Import Constraint; what causes SCE Import Constraint to bind?

Correlation between SP15/NP15 price difference and
Congestion on SCE_PCT_IMP constraint.

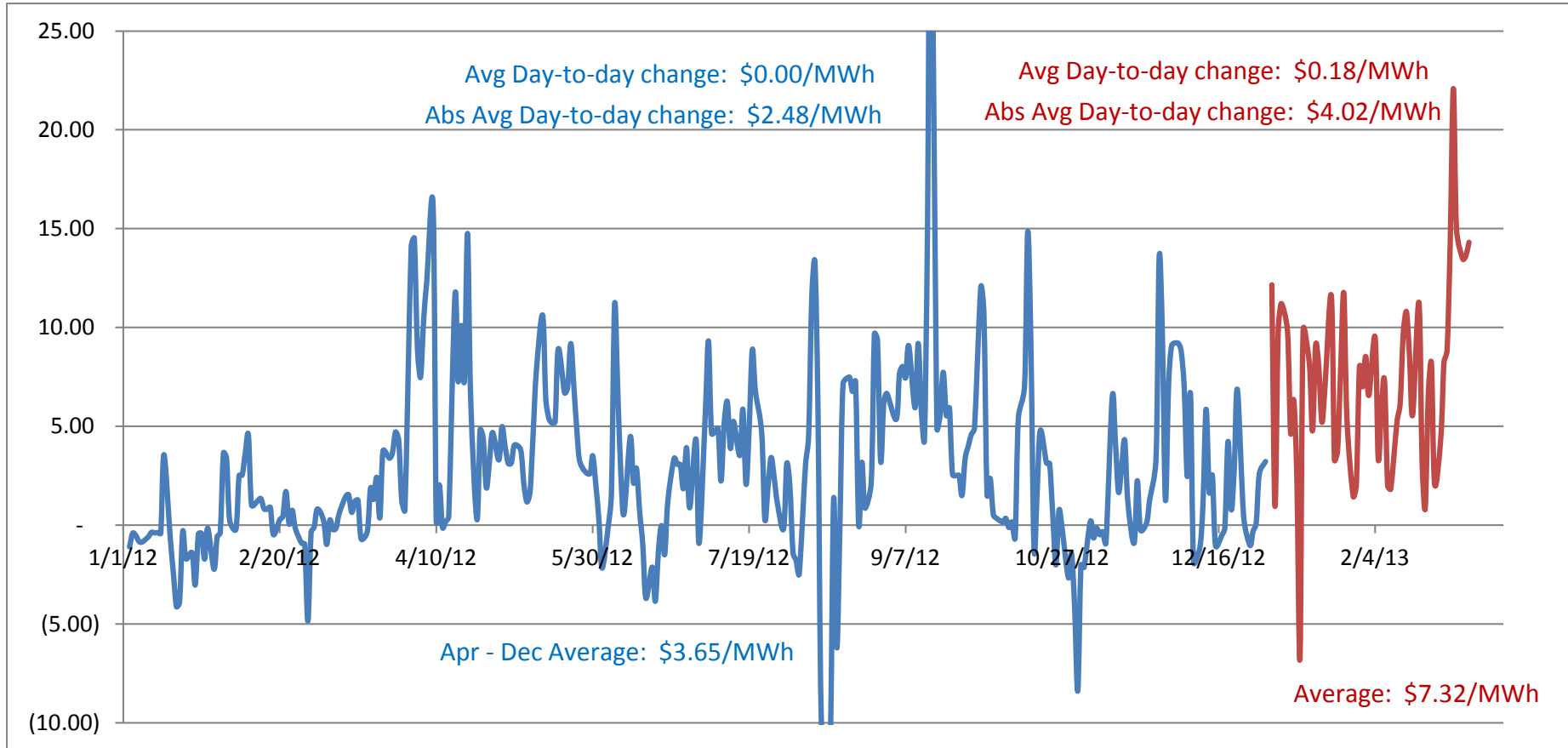


Different pattern of price spreads since January 2013

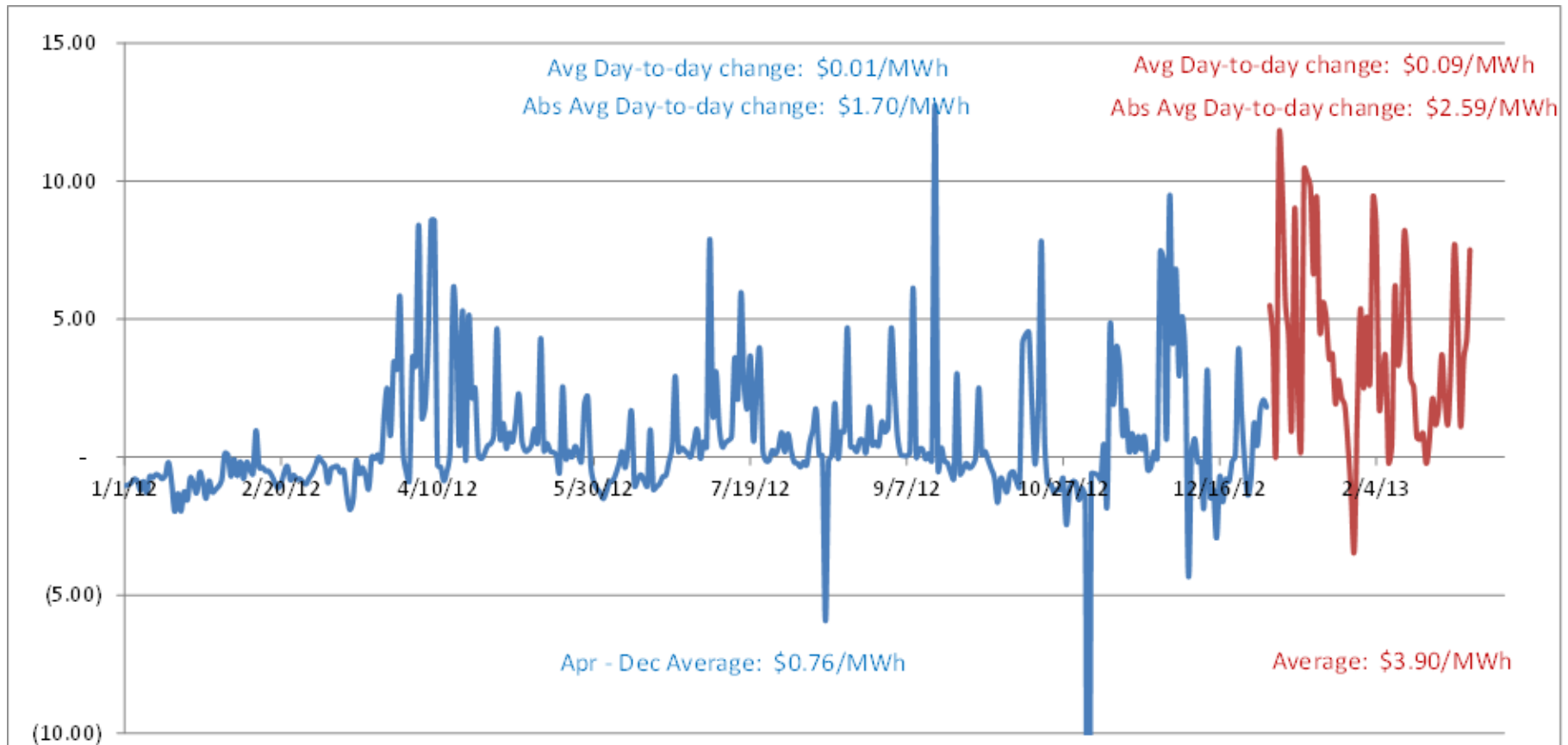
DAM price differences between SP15 and NP15



Alternative Look at NP/SP Spread Before and after January 2013 Peak



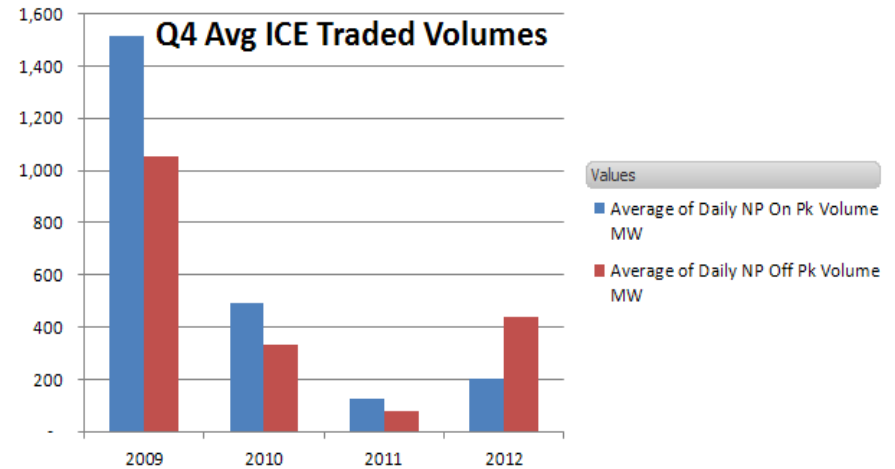
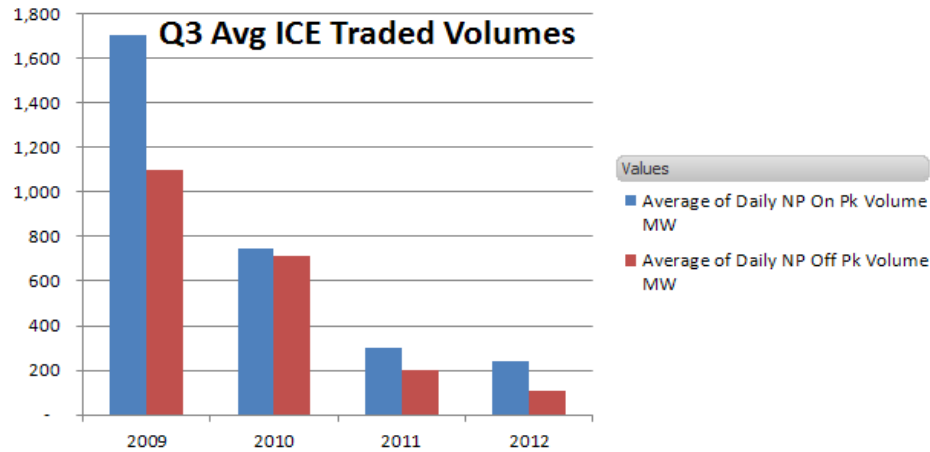
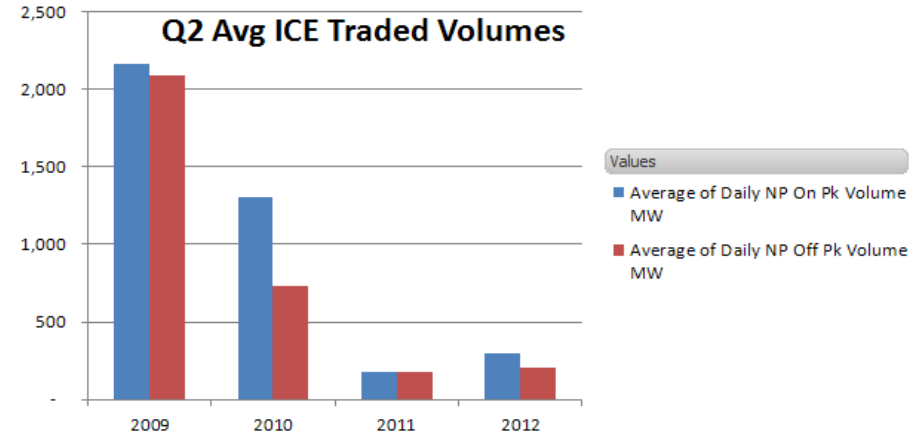
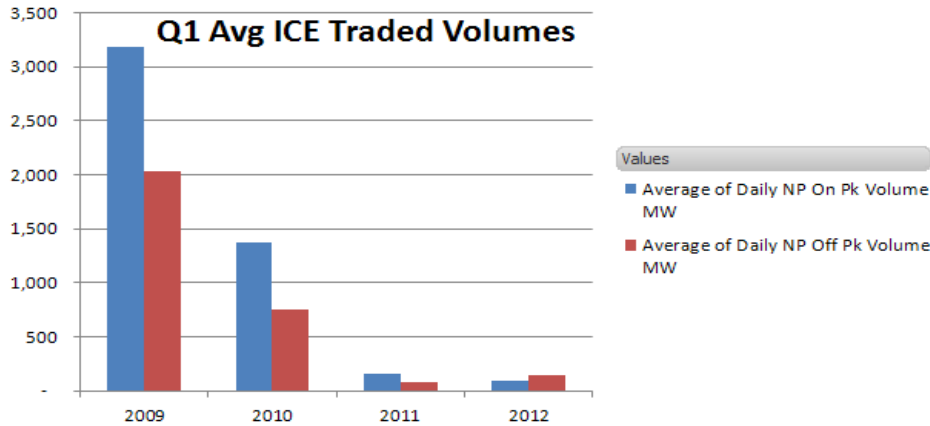
Alternative Look at NP/SP Spread Before and after January 2013 Off-Peak



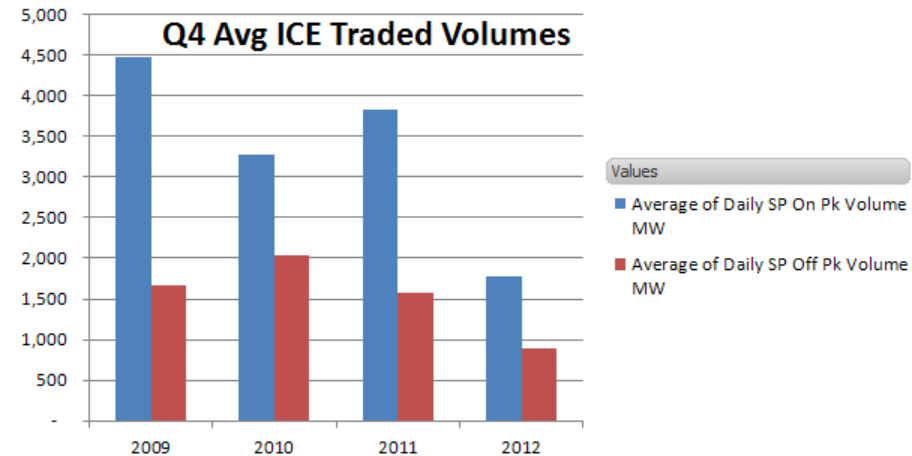
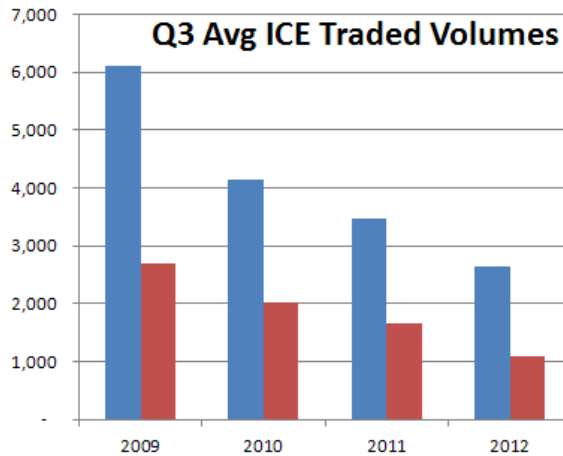
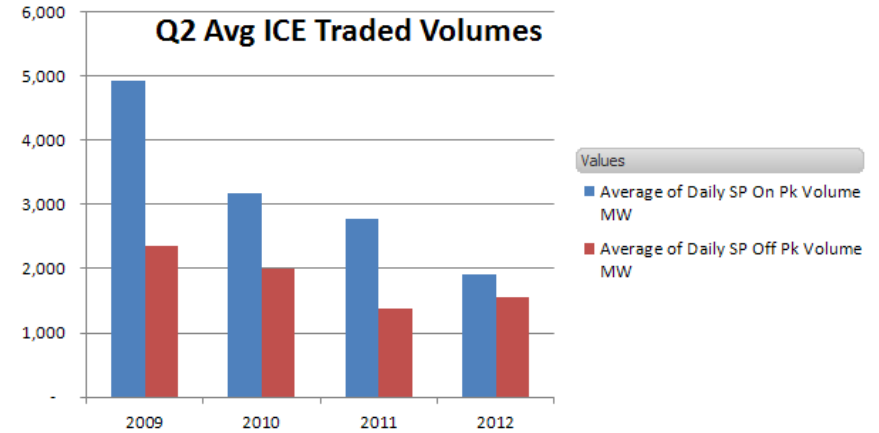
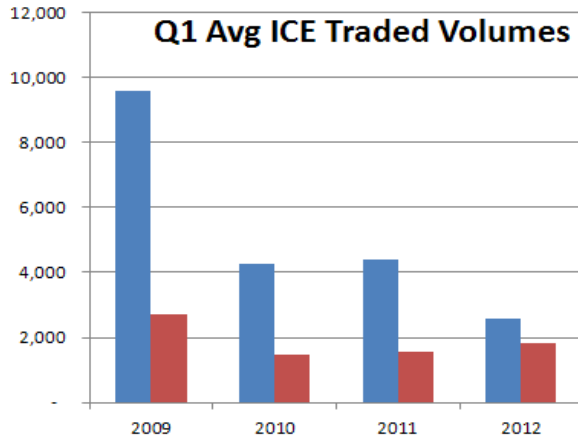
Bilateral Market Liquidity

- No cause and effect demonstrated; that is, we have no direct evidence that reduced liquidity is a *result of* the market concerns we've raised
- Question of relevance: Is it important to have a liquid bilateral market, and should the ISO play any role in such?
- What are the implications if there is no market for which market participants can hedge new risks?

Liquidity Trending Downward In NP



Liquidity Trending Downward In SP



Transparency

- ISO staff has been productive at answering some our questions, although it would be nice to have easy access to answers through publicly posted data
- Some questions still remain, e.g.,
 - What drives volatility with SCE IMP Limit?
 - What has been the general (not confidential) observation about offering and dispatch of units within the SCE IMP Limit bubble?
 - Can we get flows and limits posted the SCE Imp Limit?
 - Why not post what units are in the SCE IMP “bubble”?
 - Why do we need an NP15 MOC when we didn’t have one before; what thermal, frequency or other condition exists now that requires the MOC?
- Additional transparency requests exist; need faster resolution and more clarity when ISO declines as to why