



Decision on Uneconomic Adjustment Policy

Lorenzo Kristov
Principal, Market Architect

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Board approval is needed to file policy changes on Uneconomic Adjustment at FERC.

Uneconomic Adjustment –

- *Used when Economic Bids are insufficient to yield a feasible market solution*
- *Adjusts non-priced quantities (self-schedules, transmission constraints)*

- At the July Board meeting the Board –
 - Approved tariff change allowing use of Uneconomic Adjustment before exhausting *all* economic bids
 - Directed Management to work with stakeholders to address controversial issues
- Today we ask the Board to –
 - Consider further tariff changes identified through staff analysis and the stakeholder process



Six policy proposals require Board approval.

- Three proposals address pricing rules when a constraint must be relaxed
 - Consistent use of tariff-specified bid caps
 - Use of bid caps does not preclude prices above bid caps
- Two proposals address criteria for adjusting self-schedules versus relaxing a transmission constraint
 - Addresses protection of existing rights self-schedules against day-ahead market curtailment
- One proposal addresses maintenance and modification to Uneconomic Adjustment parameters



1. Use Energy bid cap to set 5-minute real-time prices when supply is short.

- Situation – Real-time supply not sufficient to meet load forecast
- Software action – relax supply-demand balance requirement
- Parameter affecting prices – Energy bid cap (\$500)
 - Consistent with day-ahead market pricing when supply is short



2, 3. Use \$5000 threshold to relax transmission limit; use Energy bid cap to set prices.

- Situation – Cost of 1 MW congestion relief on an internal transmission constraint exceeds \$5000 in IFM or RTM
 - Or, exceeds \$1250 in RUC
- Software action – relax transmission limit
- Parameters affecting prices –
 - Energy bid cap (\$500) in IFM or RTM
 - RUC bid cap (\$250) in RUC



4. Use Ancillary Service bid cap to set price when full requirement cannot be met.

- Situation – Ancillary Service supply is not sufficient to meet requirement in IFM or RTM
- Software action – relax Ancillary Service procurement requirement
- Parameter affecting prices – Ancillary Service bid cap (\$250)



5. Protect existing rights self-schedules from curtailment in IFM.

- Holders of existing rights (ETC/CVR/TOR) concerned that Uneconomic Adjustment will
 - Reduce firmness of their transmission rights
 - Expose them to ISO settlement charges
- Proposed resolution –
 - Set IFM scheduling parameter above \$5000 so congested transmission constraint is relaxed and ETC/CVR/TOR self-schedule is maintained
 - Guarantee of IFM firmness eliminates need to address potential financial exposure



6. Maintain scheduling parameter values in Business Practices Manuals

- Where will parameters reside?
 - Pricing and transmission constraint – in tariff (proposals 1-4)
 - Provision to protect existing rights in IFM – in tariff (proposal 5)
 - Scheduling parameters – in BPMs

- What may trigger revision?
 - Extreme or operationally unsound scheduling or pricing outcomes traced to parameter settings

- How do parameters change?
 - Staff analysis to develop change recommendation
 - BPM change management process – possibly expedited
 - Tariff changes require FERC filing

