



Decision on Allocation of Real-time Imbalance Energy Offset Costs

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Issue: High costs drive the need to re-examine real-time energy offset costs allocation method.

- Real-time offset costs much higher than expected.
 - April \$14.13 million
 - May \$21.01 million
 - June \$11.63 million
 - July \$9.96 million
- Therefore - need to revise allocation method to reflect cost causation more equitably

Two main factors are causing the high real-time energy offset costs:

1. Disconnect between low hour ahead (HASP) and high real-time (RTD) prices
 - Often caused by day-ahead overscheduling
2. Settlement price averaging affect (paying out more to generators than receiving from load)
 - Generation pays settlement interval prices
 - Load pays average hourly prices

ISO's analysis of April data yielded these observations:

- 5% of the hours account for more than 70% of the total monthly costs.
- The difference between RTD and HASP prices during these hours ranged from \$38 to over \$600.
 - ISO exported an average of 1,500 MW in HASP during these hours.
- HASP/RTD price differences accounted for more than 70% of the offset costs.
 - This ratio is likely to vary from month to month.

Longer term, a number of options are under consideration.

- Implement a two-tier allocation scheme for offset charge.
- Identify and mitigate the causes of large difference between RTD and HASP prices.
- Align the settlement intervals of RT load and generation.
- Settle the HASP imbalance energy by RTD price as adopted by NYISO.

Near-term, we recommend exempting load-following metered subsystem (MSS) from real time offset costs.

Load following MSS:

- Rely on dispatching their own generation to follow real-time load deviations.
- Are subject to deviation penalties based on their performance.
- Do not drive costs related to real-time load deviations.

Next Steps

- File tariff for near term solution
- Develop proposal for resolution based on cost causation
 - Stakeholder process
- Develop measures to mitigate HASP/RTD price discrepancies
- Present proposal for decision at October Board Meeting