



Inter-tie Congestion Pricing

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Market Surveillance Committee Meeting

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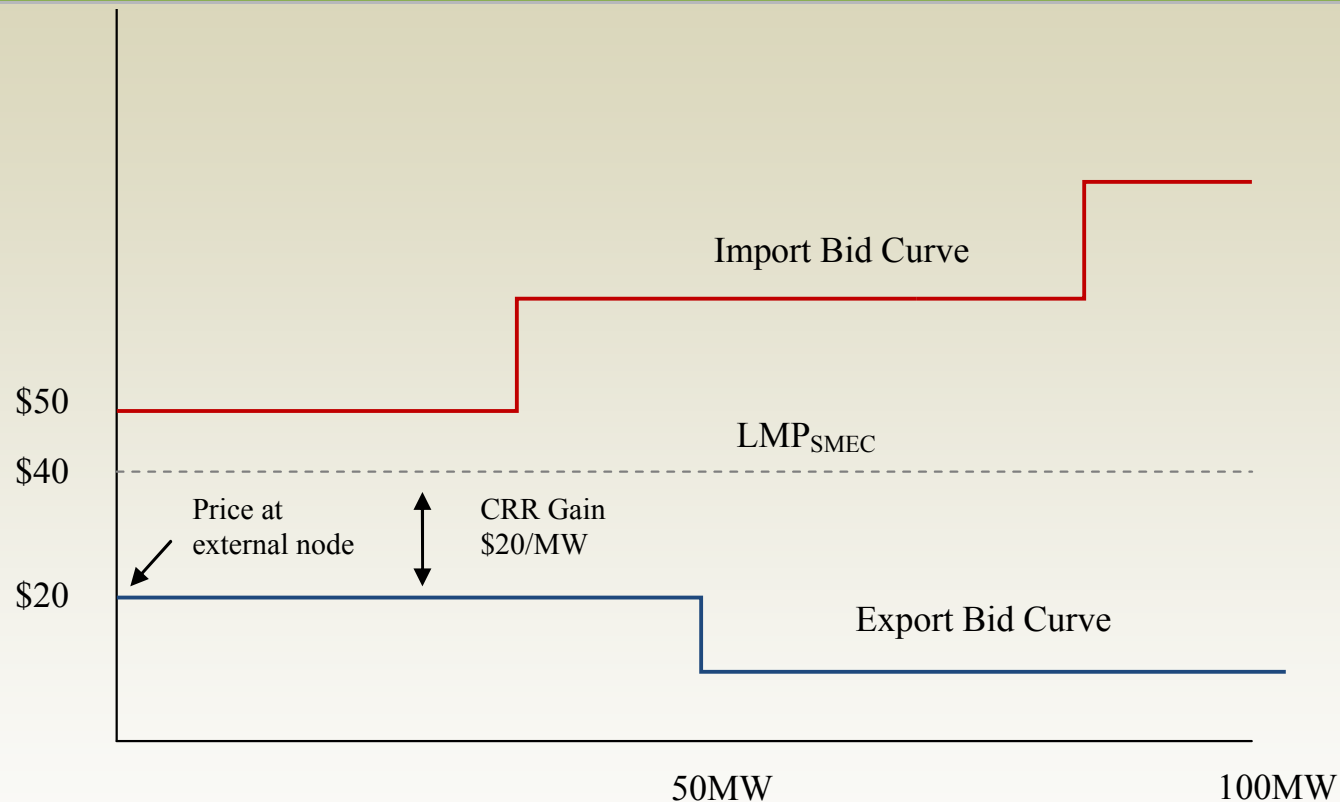
Overview of Issue

- Inter-ties de-rated to 0MW in both directions
 - The ISO does not accept bids in the day-ahead on open ties because power cannot flow.
 - Priced by the closest connected pnode LMP for CRR settlement purposes.
- Inter-ties de-rated to 0MW in one direction
 - The ISO accepted bids in the day-ahead because power can flow on partially open ties.
 - Operators manage the tie by netting schedules to stay within the limits.

Marginal Pricing

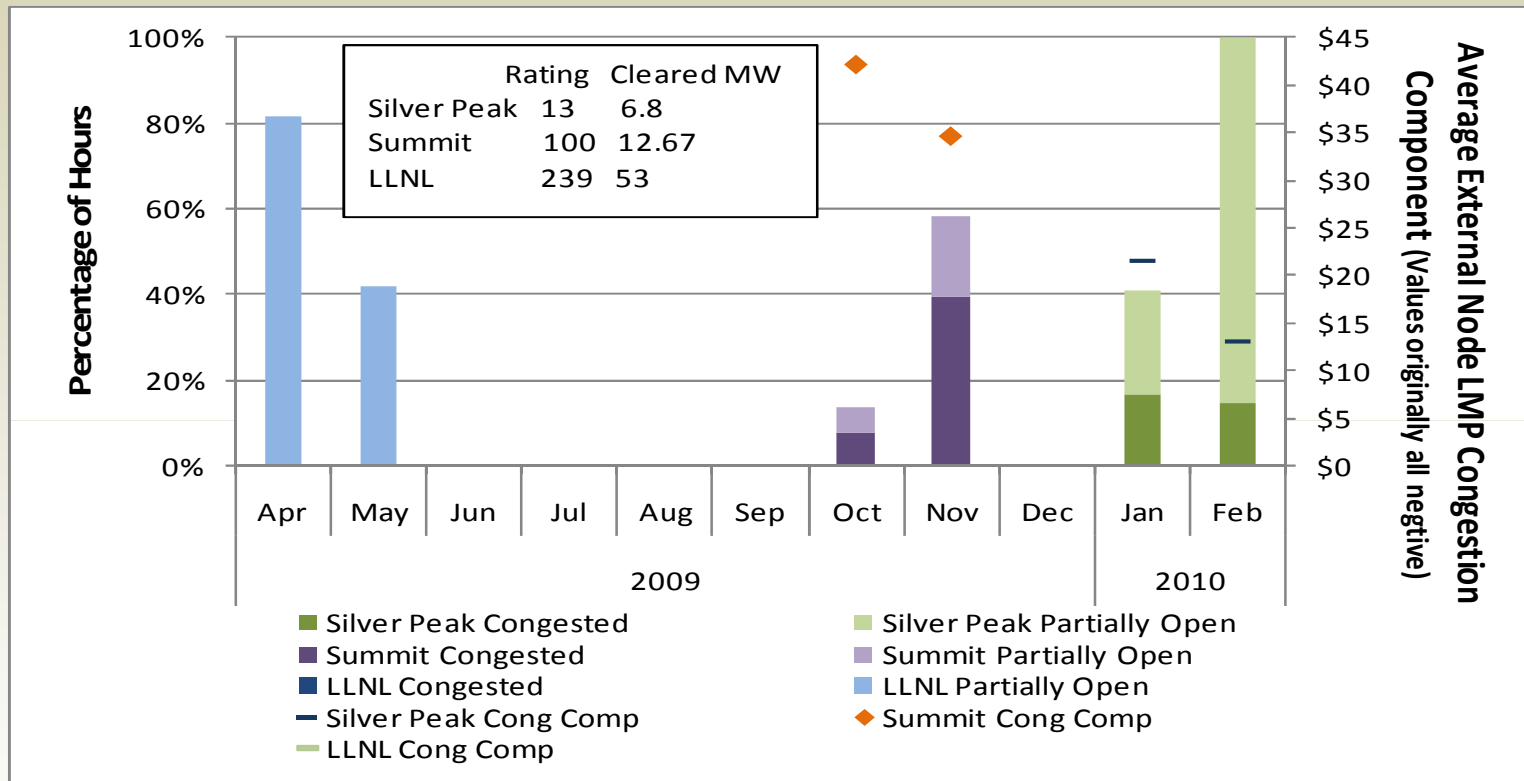
- Price is set by the cost of the next economic MW
 - Applies if congested in either direction assuming sufficient bids.
- Cost of next MW includes cost of counter-flow
 - Price will always be set by the “next” counter-flow MW bid provided sufficient bids
 - Prices depend on competitive pool of bids on inter-ties

Pricing Example for Partially Open Tie De-rated to 0 MW in import direction



- No MW will clear but the price at the inter-tie will reflect congestion in the import direction
- The larger differential between external and internal price, higher the gain for CRR holders.
- Not seeing competitive bids in import and export direction

Frequency of Occurrence and Congestion Components



- LLNL separated from SMUD Mar 20 to May 12.
- Summit de-rated due to Drum – Rio Oso outage
- LLNL planned maintenance in January
- Silver Peak de-rated Jan 19 – Apr 19 due to scheduled work.

Concerns

- Pricing when there is no cleared bids may be problematic
 - Congestion pricing when there is not congestion (constraint not binding in non-open direction and .)
 - Prices sensitive to lack of competition in circumstances where that is more likely to occur (lower bid volumes when tie open in one direction)
 - Can create revenues / costs for CRR holders (and impact rev. adeq.)

- Monitoring
 - DMM has been monitoring the magnitude of potential problem under these circumstances
 - Focus on scheduling coordinators with CRRs

- Going Forward
 - May consider alternative pricing, bidding, or settlement rules to mitigate