



Decision on E-Tag Timing Requirements Initiative

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ISO needs to be able to clearly delineate between physical and financial bids

- Concerns raised about possible *implicit virtual bidding* at the interties:
 - Divergence between day-ahead and HASP pricing creates incentives for financial trades today;
 - Currently no mechanism for explicitly submitting financial bids; and
 - Incentives could still exist even after convergence bidding is implemented.
- Some stakeholders proposed moving up the ISO's e-tag requirements to the day-ahead market.

E-tags are electronic forms indicating a physical transaction between control areas

Enhancements are needed to discourage implicit virtual bidding.

- Ensure day-ahead schedules at interties are for actual delivery of energy, or
- Ensure that financial bids are explicitly identified as convergence bids.

Proposal includes new settlement rules to discourage implicit virtual bidding.

- HASP settlement rule
 - Remove price arbitrage gains for untagged day-ahead scheduled energy bought back in HASP.
- Congestion revenue rights (CRR) settlement rule
 - Part of convergence bidding design to deter use of convergence bids to increase CRR payments.
 - Apply to day-ahead awards reversed in HASP.
- Real time uplift charge
 - Allocate to day-ahead imports which are reduced in HASP

While stakeholders generally support the proposal, a few have cited these concerns:

- Timing of implementation
- Existing transaction costs sufficient to deter implicit virtual bidding

Management requests Board approval for the proposal.

- Proposal minimizes incentives to implicit virtual bid while balancing stakeholder concerns;
- Improves grid reliability by providing more assurance that physical schedules are truly physical; and
- Supports success of convergence bidding