

Decision on Circular Scheduling

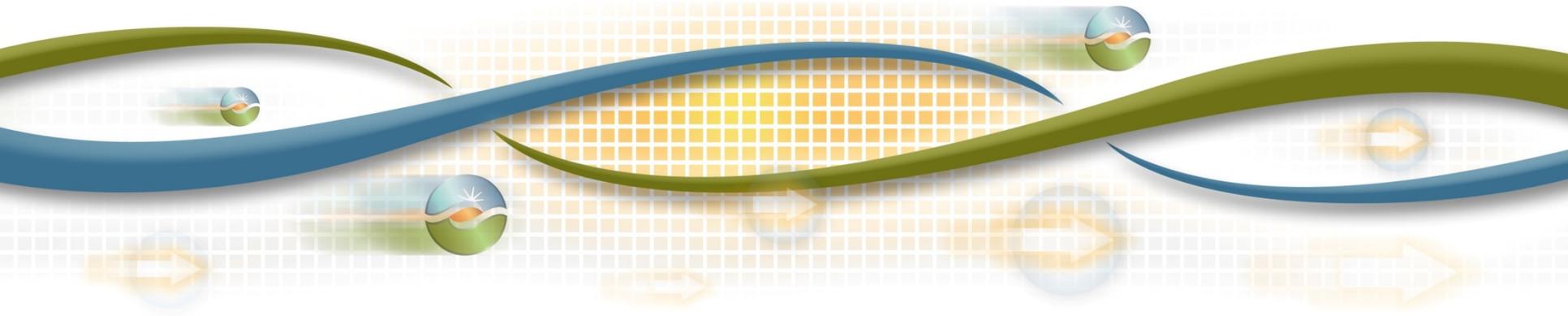
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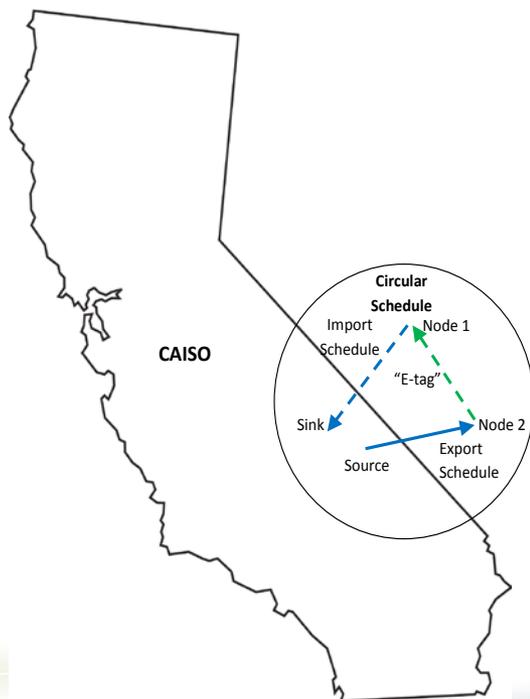
General Session

March 22-23, 2012



Stakeholders have requested clarification of ISO market rules concerning intertie schedules with source & sink in same balancing authority area.

- Prior to new market “circular schedules” explicitly prohibited
- New market tariff rules create some ambiguity



Circular schedules:

- Cause unscheduled flows on ISO interties.
- Complicate congestion management.
- Are ineffective at relieving flow constraints.
- Considered prohibited gaming behavior by FERC.

This proposal removes incentives for circular schedules of single scheduling coordinators, through settlements.

- Import to ISO will be settled at lower of import & export prices
 - E-tags would not be denied, to avoid impacting other schedules
- Apply a congestion revenue right “claw back” rule similar to convergence bidding rule
- Certain schedules are not subject to settlement rule:
 - Transmission segment on a direct current intertie
 - Delivery from pseudo-tie
 - Isolated or open intertie conditions, & service to load

Proposal balances commercial activity and market operational impacts depending on the scenario.

Scenario	Ability to avoid / Impact	Proposal
Single SC / Single e-tag	<ul style="list-style-type: none"> - Easily avoidable - Inefficiency if permitted 	<ul style="list-style-type: none"> - Ban such schedules, with exceptions - Use settlement rule to neutralize impact
Multiple SC / Single e-tag	<ul style="list-style-type: none"> - Can inadvertently occur due to commercial activity - May not be easy to avoid - Analysis indicates frequency and impact is low under current activity 	<ul style="list-style-type: none"> - ISO to monitor for market/operational impact - Referral to FERC if used to circumvent other rules
Single SC / Multiple e-tags	<ul style="list-style-type: none"> - Easy to avoid - Not easy to identify 	<ul style="list-style-type: none"> - Referral to FERC if used to circumvent other rules
Multiple SC / Multiple e-tags.	<ul style="list-style-type: none"> - May not be easy to avoid - Not easy to identify 	<ul style="list-style-type: none"> - Referral to FERC if used to circumvent other rules

Summary of Stakeholder comments:

- Broad support for the proposal to address single scheduling coordinator circular schedules
- Proposal is responsive to stakeholder concerns regarding balance between impact on commercial activity and ISO concern regarding market operational impact.

Management recommends the following changes:

- Apply proposed settlement rule to neutralize financial incentives for single-SC, single tag circular schedules.
- Continue monitoring for operational impact of multiple-SC, single tag activity and impose a settlement rule if operational impacts become more critical.
- Clarify tariff language to reflect proposal.