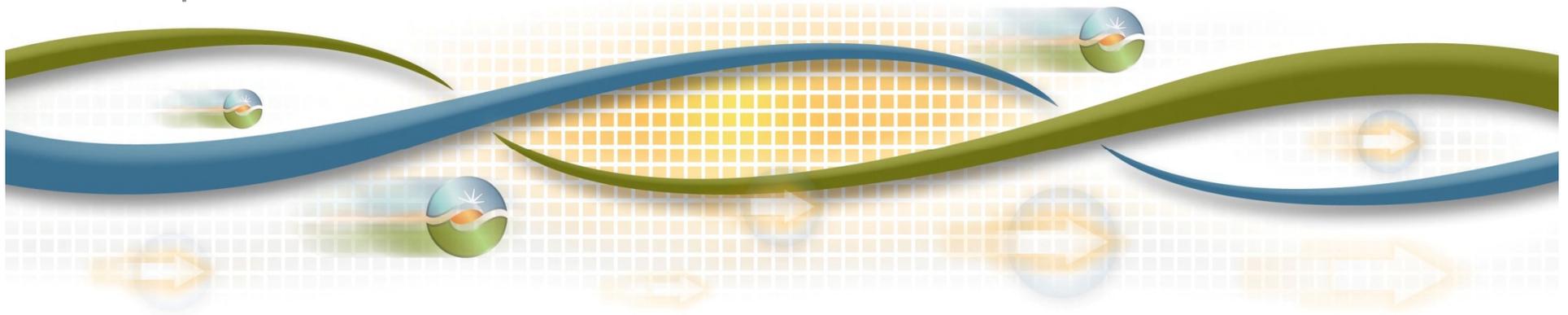


Analysis of proposal to assign Real Time Imbalance Energy charges to responsible parties

Ryan Kurlinski
Senior Market Monitoring Analyst

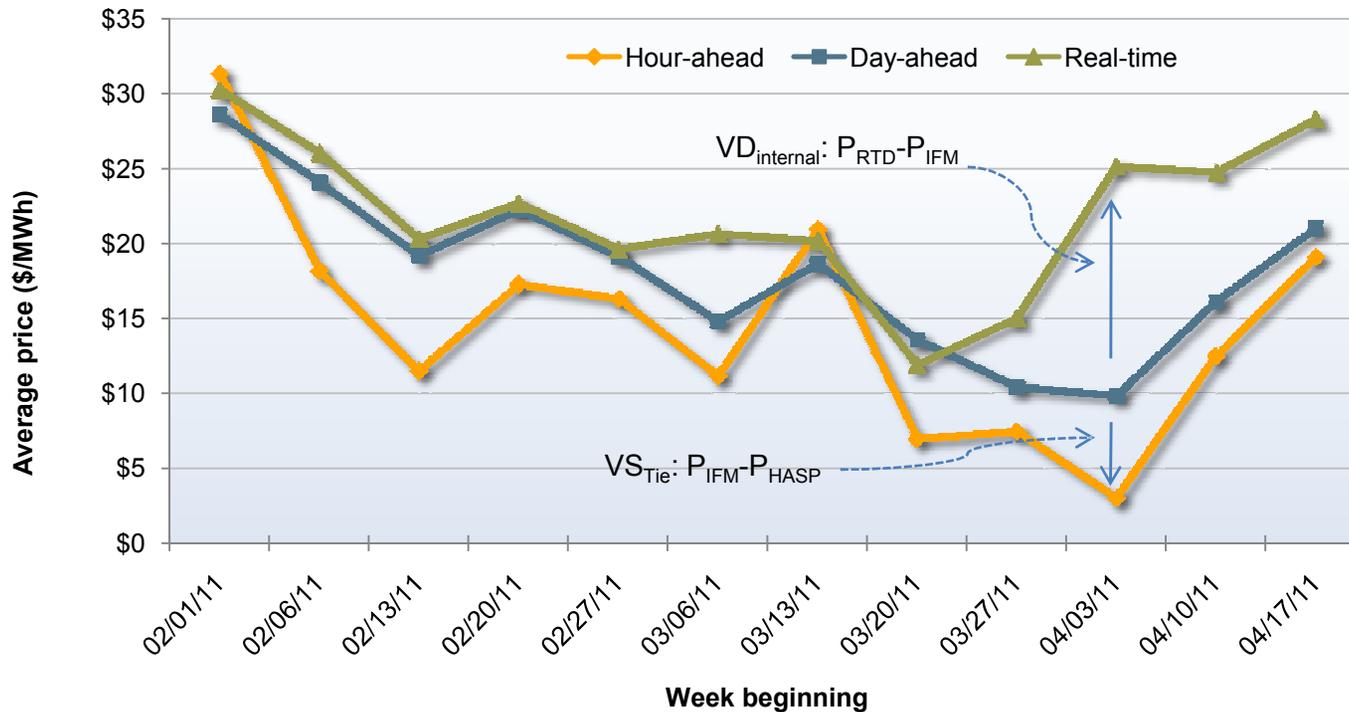
Market Surveillance Committee Meeting
General Session
April 29, 2011



Overview

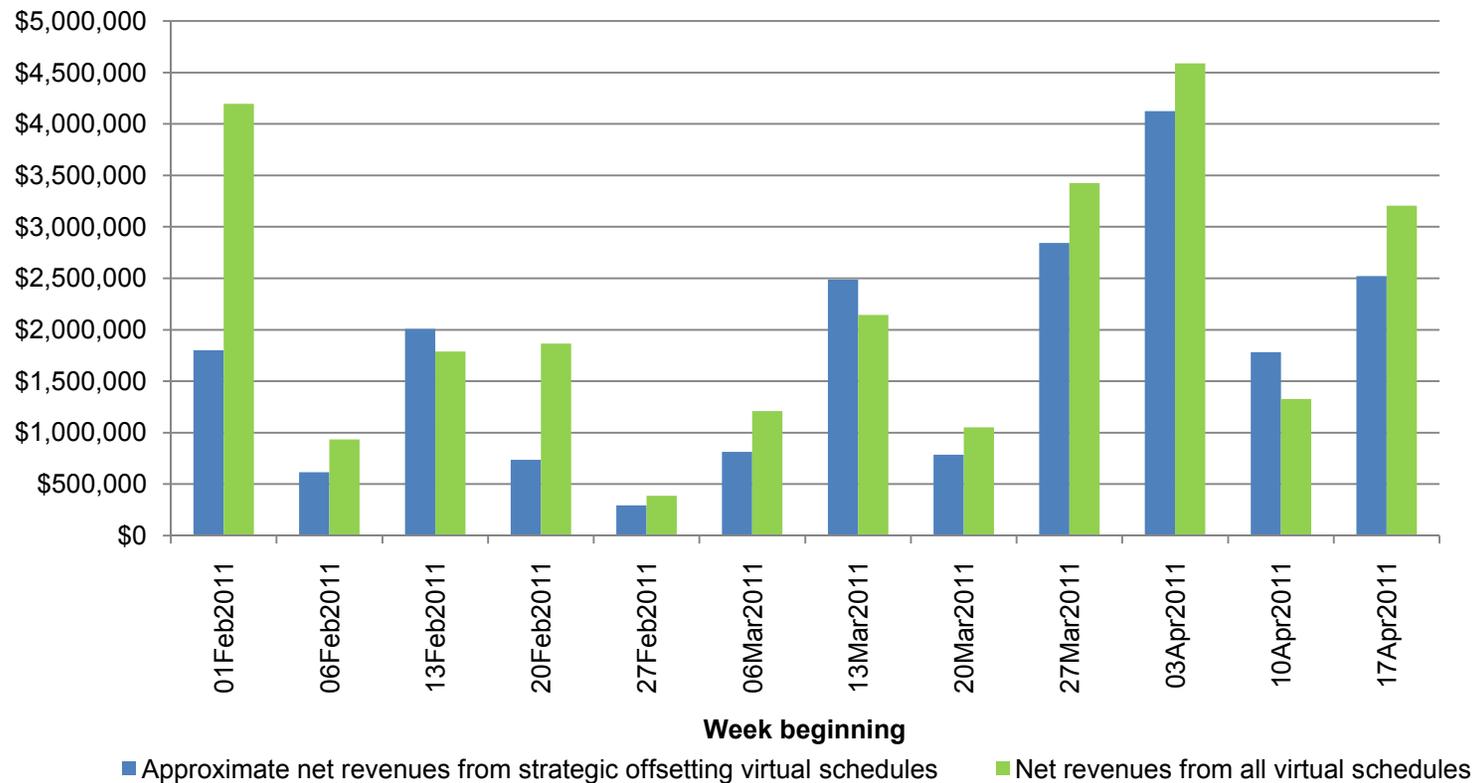
- Convergence bidding causing large uplift cost due to predictable price difference between RTD and HASP.
- Majority of uplift cost attributable to within-portfolio convergence bid – can profit via simple strategy.
- Proposal disincentivates strategy by allocating resulting uplift to the virtual bidding portfolios that caused it.
- Proposal is short-term mitigation – long term pricing issues remain to be resolved.

Average off-peak energy prices in day-ahead, hour-ahead, and real-time markets



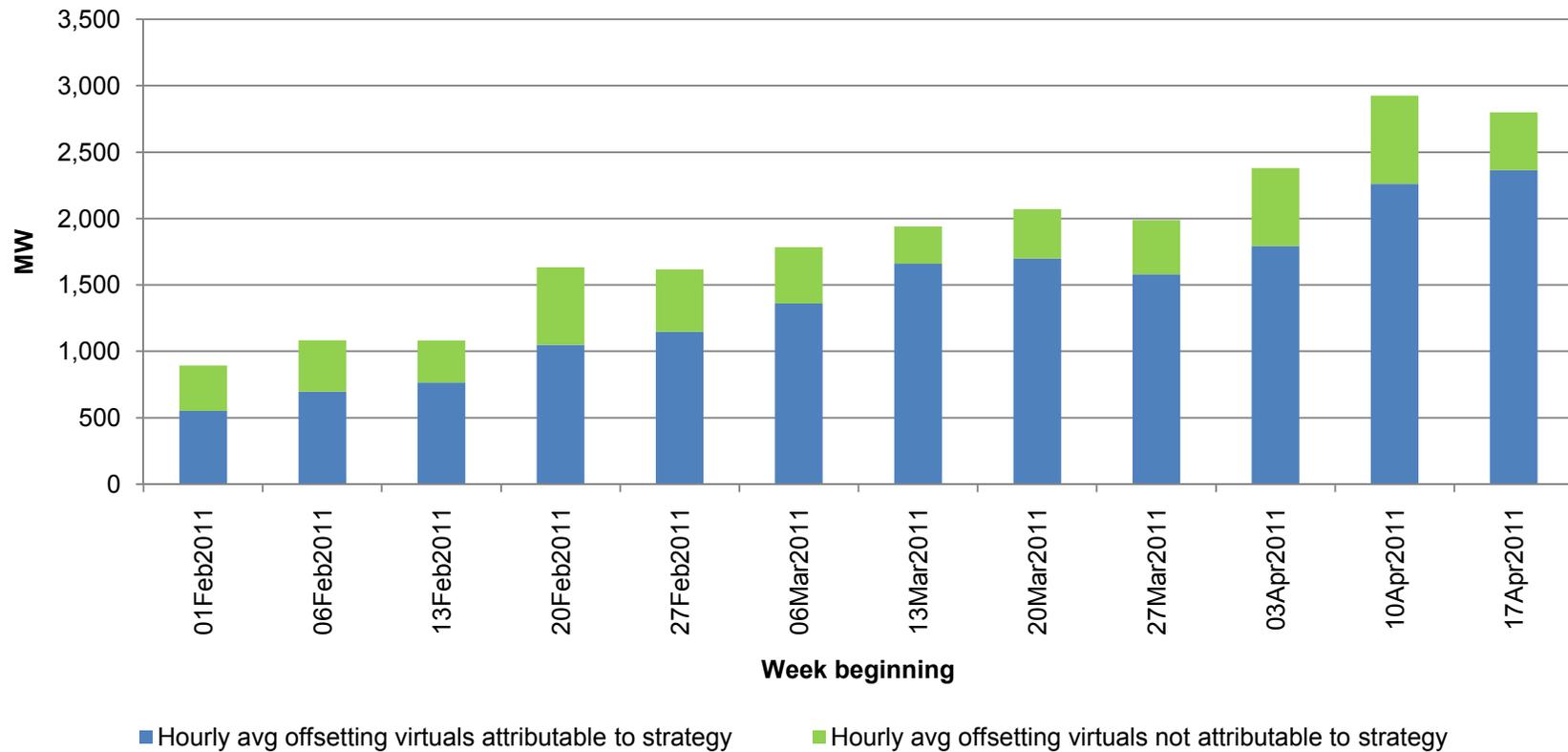
- RTD-HASP price difference provides most reliable profits.

Comparison of net revenues from all virtual schedules to those off-setting within-portfolio.



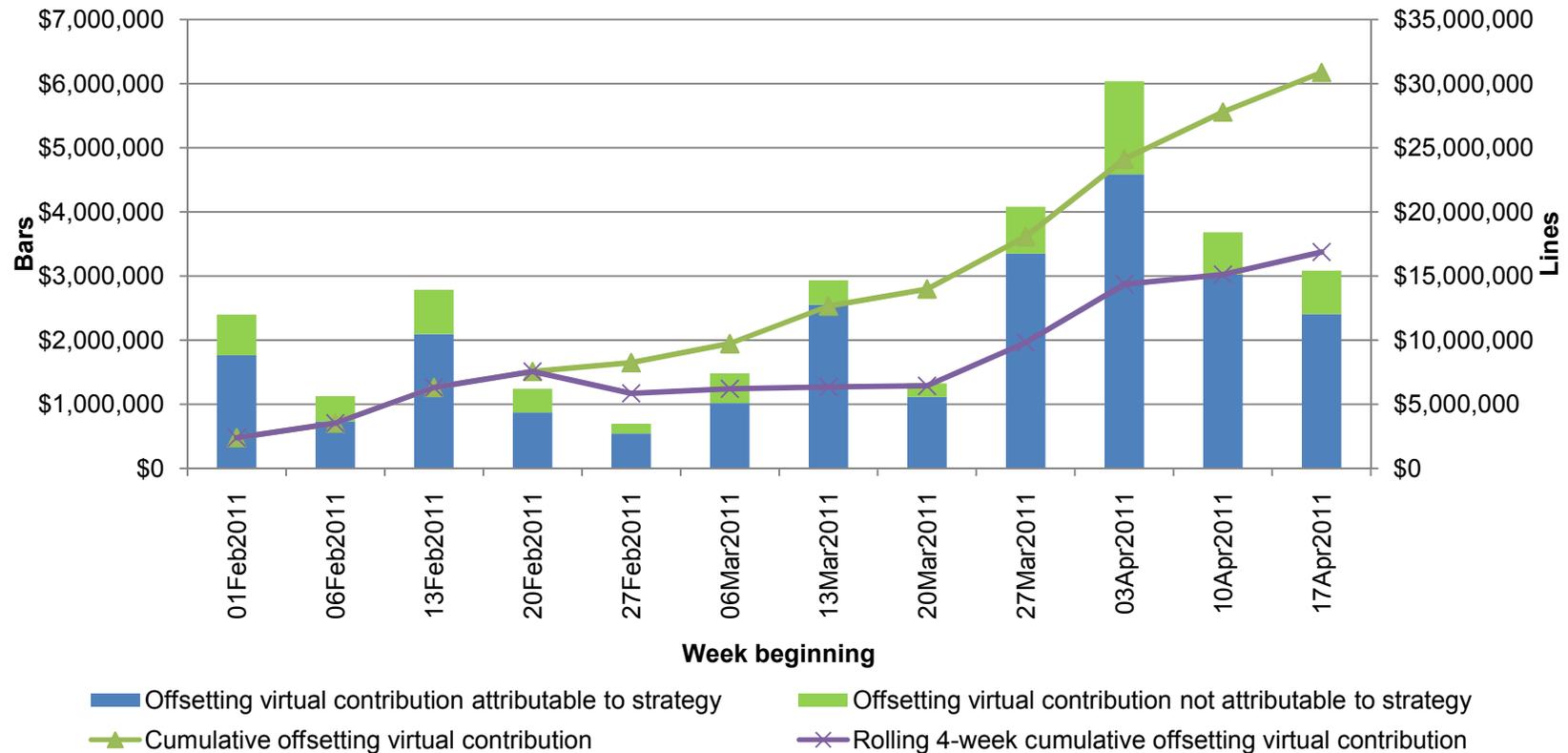
- Within-portfolio offsetting virtuals account for large majority of all virtual bidding net revenues

Hourly average quantity of intertie virtual schedules offset by internal virtual schedules



- Within-portfolio offsetting virtual MWhs are growing.

Contribution to RT Imbalance Energy Offset uplift charge from intertie virtuals offset by internal virtuals



- Proposal eliminates uplift from within-portfolio virtual offsets.
- Other sources of RT Imbalance charges may increase.

Affiliates

- Proposed settlement charge should be applied at affiliate level.



Questions?