MARKET SURVEILLANCE COMMITTEE

Discussion of Import Bid Index Calculation

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Market Surveillance Committee Meeting

General Session

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Topics

- Proxy costs for import bids
  - *Relevant for SMPM and 831 initiatives*
- How to assess the reasonableness of bids from unspecified imports?
  - Gas price indices/Peaker proxy costs
    - Liquid enough? Enough temporal/locational accuracy?
    - Implications if scarcity is in play in parts of west?
  - Use of regional bilateral trading hub prices
    - In principle, could help with some of the above problems
    - but measured only in daily multi-hour blocks

Average Price by Hour
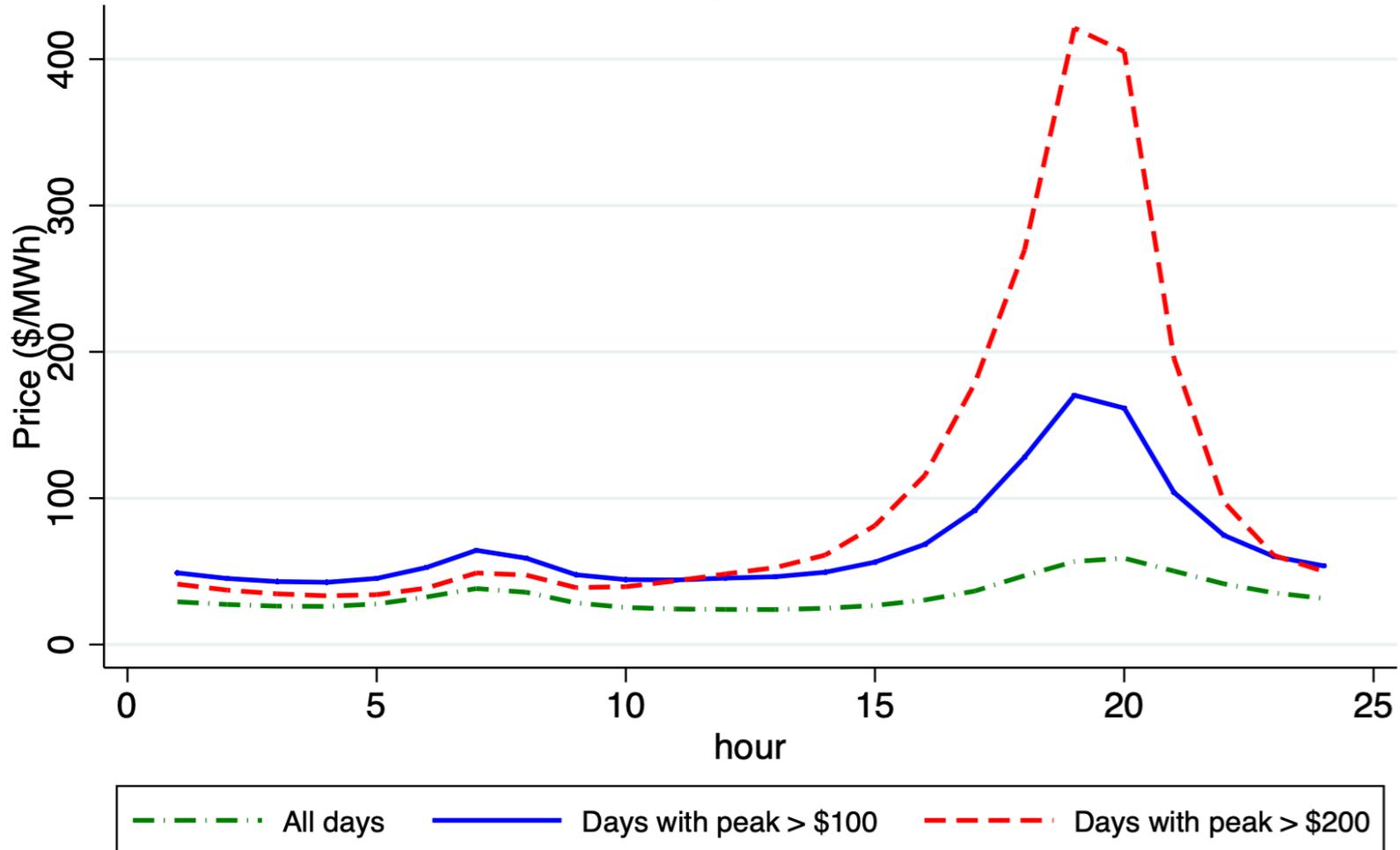MIDC and NP15 Trading Hub 2018-2019
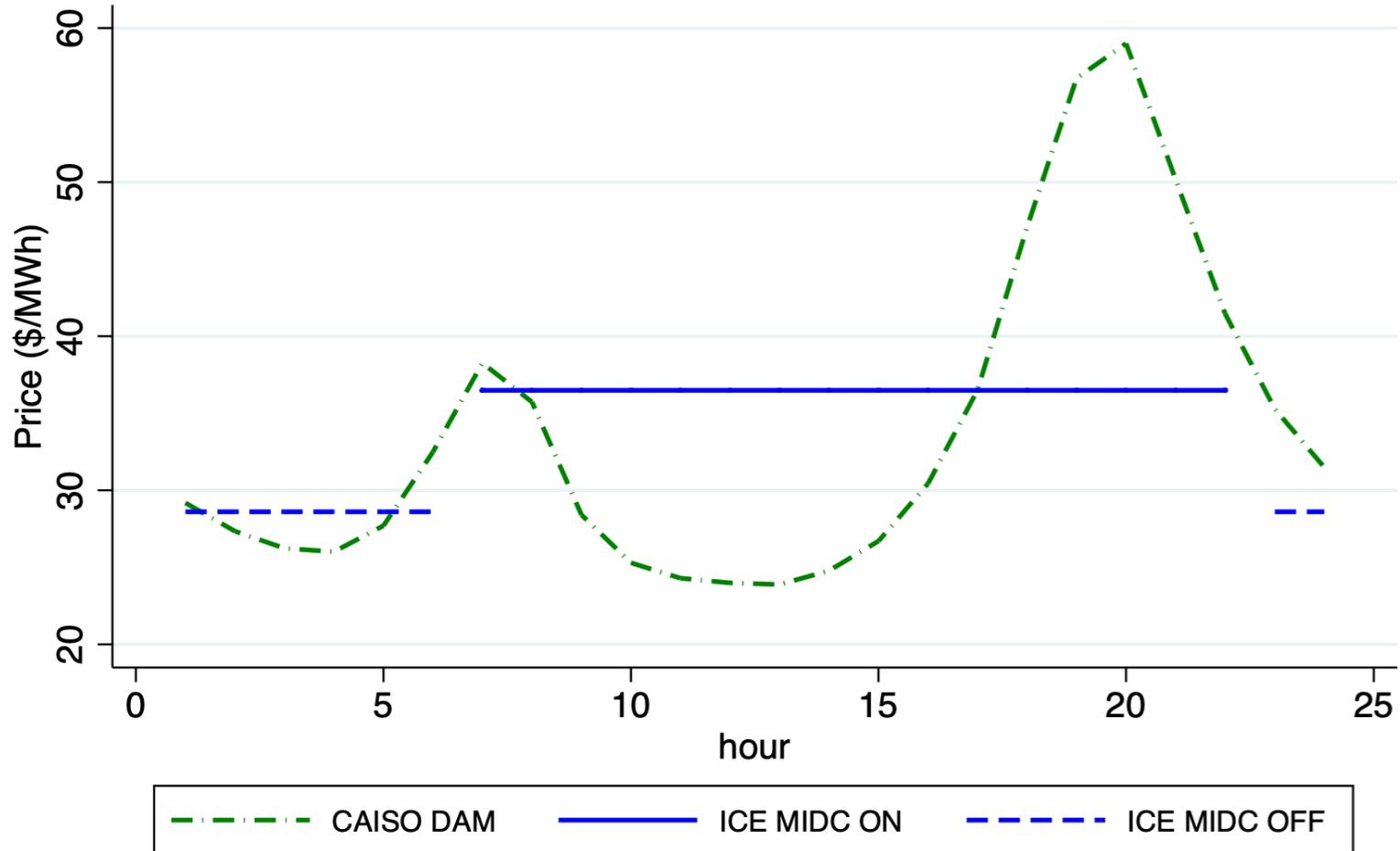
Average Price by Hour for High Price Days
MIDC and NP15 Trading Hub 2018-2019
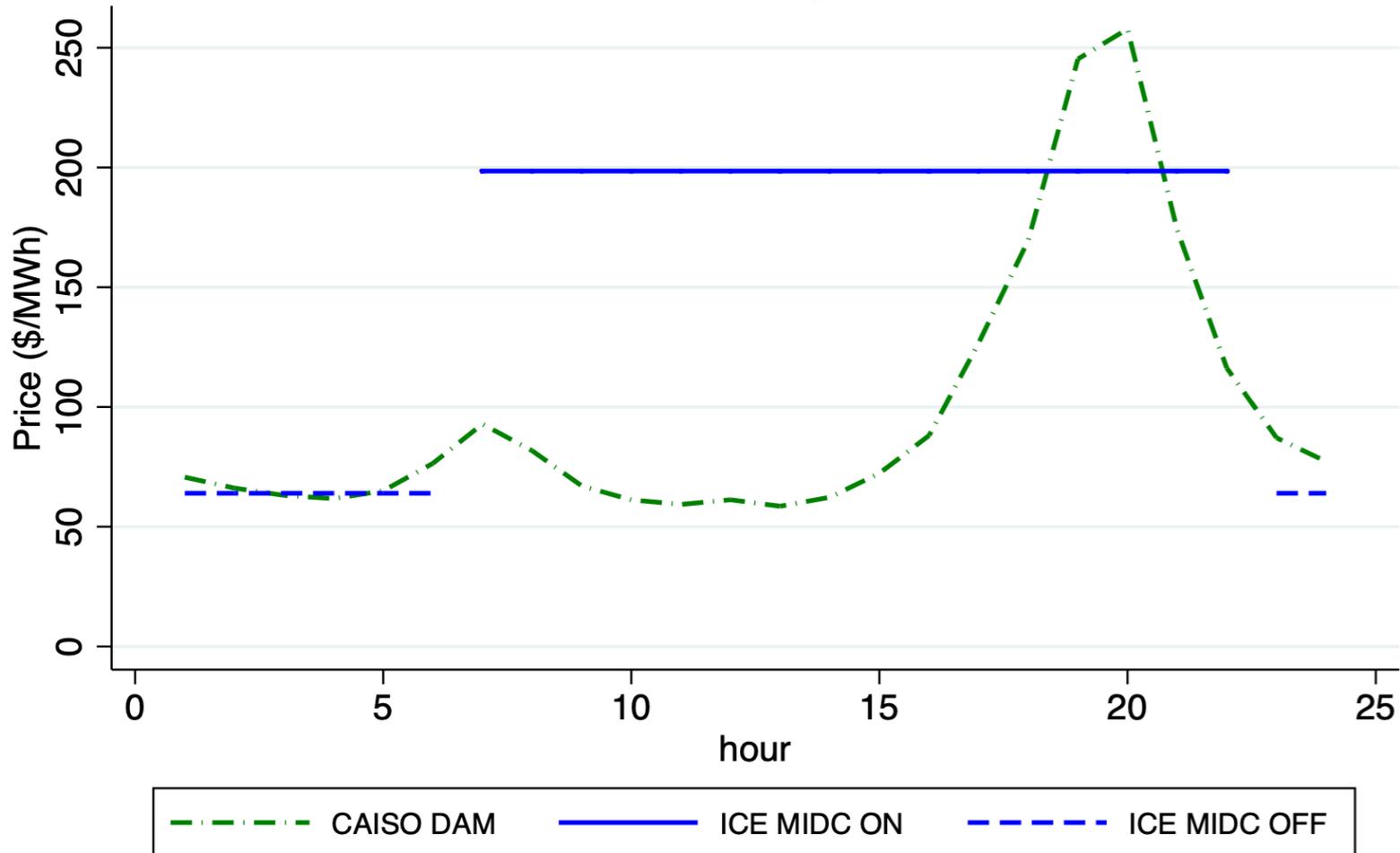
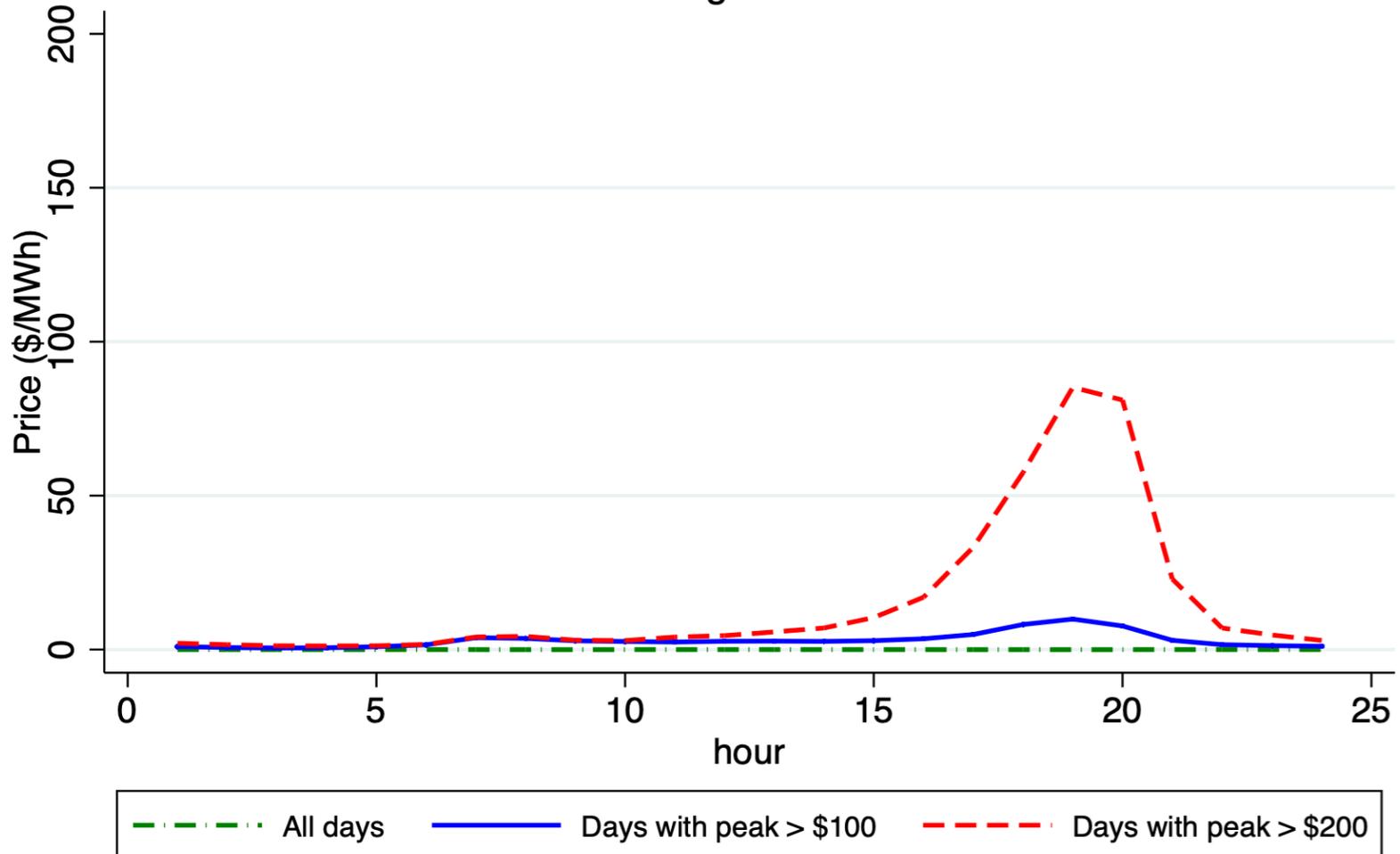Price by Hour for All and High Price Days
NP15 Trading Hub 2015-2019

Mapping Bilateral Blocks to Hourly Prices

- Hourly price patterns are clearly different on high price days
  - *Taking monthly averages as basis for shape factors is problematic for this reason*
  - *Would want to think seriously about adding other observable variables to refine a prediction*
- How does the previous day's price for the same hour perform?
  - First, calculate (hour *y* price[day *x*]) – (hour *y* price[day *x*-1]) for each hour
    - For all and high price periods
  - Second, compare the "true" shape factor based upon actual hourly and daily average prices to the estimated shape factor using the previous day's prices

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24 Hour Price Differences for All and High Price Days
NP15 Trading Hub 2015-2019

Lag Shape Error for All and High Price Days
NP15 Trading Hub 2015-2019
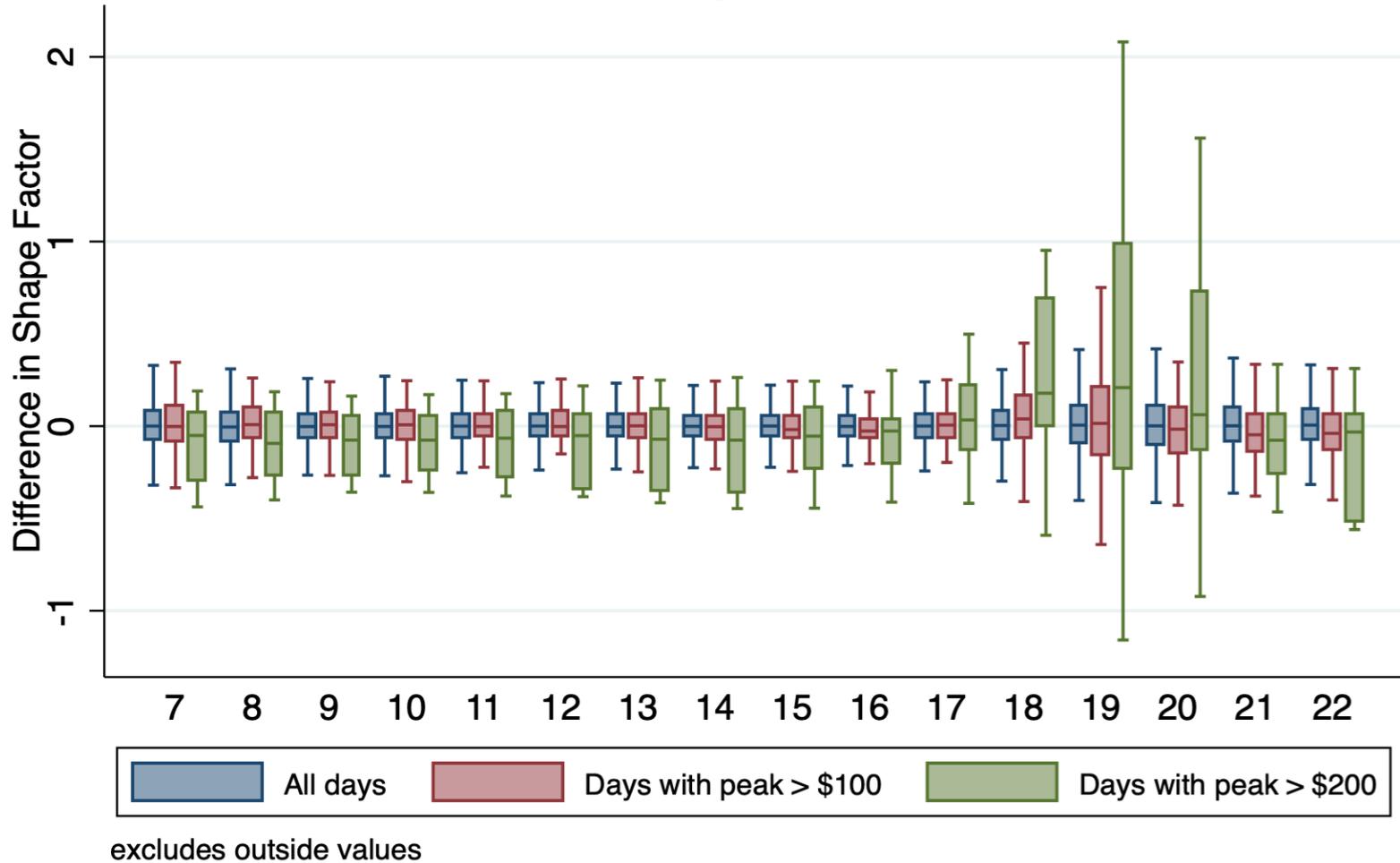
Discussion

- Lagged daily prices appears to perform better than hourly averages but still subject to potentially large mismatch in hourly shapes
  - How accurate does this need to be?
- Issues are different for SMPM than for Order 831
  - For 831, a (hopefully) very rare "ballpark" calculation
    - Scarcity more likely to play a role on these rare occasions
  - For SMPM potentially much more frequently applied metric
    - How do proxy peaker unit calculations compare?