

Special Report on the ISO

Market Redesign & Technology Upgrade

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Market Redesign and Technology Upgrade

What does it do?

- ❑ Replaces methodologies and computer systems for dispatching and moving power
- ❑ Fixes known problems; cures infeasible forward dispatch and increases flexibility of computer systems
- ❑ Implements FERC's preferred eastern style nodal market structure
- ❑ Customers become responsible for costs to move power from purchase point to delivery point (LAP) and costs of transmission losses from purchase point to LAP (transmission losses are currently paid by generators)
- ❑ According to some, it creates an overly complex market structure that deviates from what others are doing in WECC

Current start date: November 1, 2008

LAP (Load Aggregation Point) – calculated construct which represents the dynamic weighted average of all consumption in a utility service territory

ISO Claimed MRTU Attributes

- ❑ Integrated Forward Market that includes a Day Ahead Market
 - ❑ Full Network Model that allows ISO to resolve congestion Day Ahead including Intrazonal Congestion
 - ❑ Locational Marginal Pricing (LMP) that allows the ISO to see the “true” cost of generation and minimize the cost of the dispatch
 - ❑ Increase bid caps
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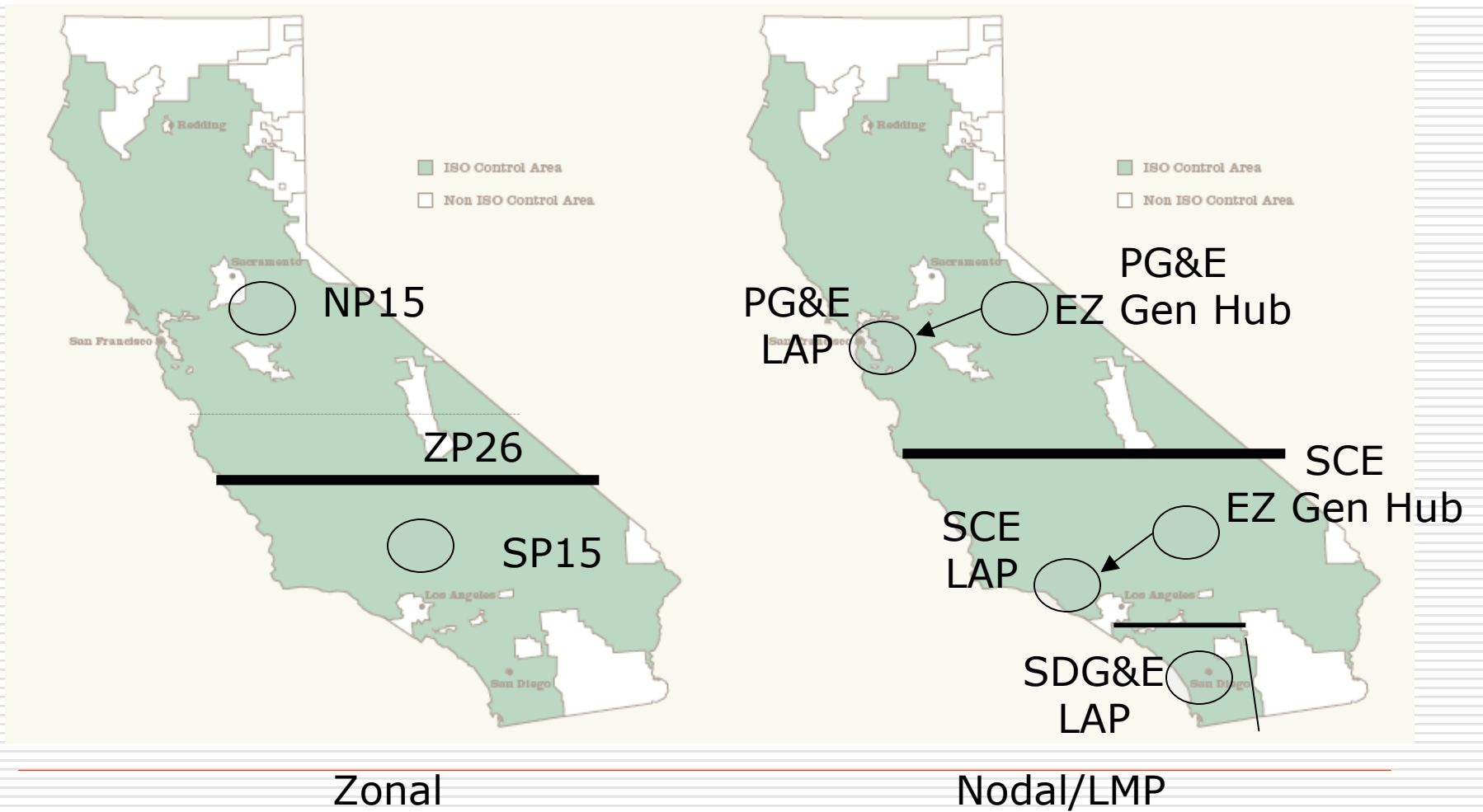
MRTU Increase Uncertainty & Volatility

Customers become responsible for costs to move power from purchase point to delivery point (LAP) and costs of transmission losses from purchase point to LAP (transmission losses are currently paid by generators)

- ❑ Nodal price difference and transmission losses
 - Buyers no longer purchase at the zonal price but rather at the GenHub (*or generator).
 - Buyers have to pay nodal prices difference between LAP and GenHub.* As a partial offset, load is allocated Congestion Revenue Rights (CRRs). Load still pays transmission revenue requirement.
 - Buyers have to pay 2x transmission losses from GenHub* to LAP. CRRs do not cover transmission losses.
- ❑ System glitches
- ❑ Unanticipated behavior of sellers and bidders
- ❑ Bid caps are not price caps
- ❑ Reaction of WECC trading partners (+/-)

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How will market change?



Impacts all Customers

- Impacts both DA and Bundled Customers
 - Timing (& thus volatility)
 - Magnitude
 - Impacts Muni Customers
 - Loop flow
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ISO Preparedness

- Before
- Systems Testing
 - Success Criteria
 - Participant Training
- After
- Monitoring and Analysis
 - Promised Quick Response to Issues
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MRTU Design Wins and Losses

Wins:

- ❑ Creation of LAPs

Losses:

- ❑ CRR Allocation Rules
- ❑ CRR Adequacy and Accuracy
- ❑ Full Marginal Losses (What do you do with the surplus?)
- ❑ No Loss Compensation in CRRs
- ❑ LAP and Hub different

Future Concerns:

- ❑ Cost shifting resulting from FERC ordered that the ISO create additional LAPs
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Questions?

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***(or come to CMTA Energy
Committee Meetings for a chat)***
