

New York Independent System Operator

Extraordinary Corrective Action 20010908B:

Market Design Flaw Regarding Real Time External Proxy Bus Prices

Applicability

This Extraordinary Corrective Action (ECA) shall apply when the following two conditions are met:

- Transactions are proposed for an operating hour at an External Proxy Bus; and
- The Balancing Market Evaluation (BME) resolves transmission congestion constraints at the External Proxy Bus for the operating hour, resulting in transmission congestion charges in the Hour Ahead Market (HAM).

Rationale

When BME solves for proposed transactions at an External Proxy Bus, and total proposed transactions exceed the available transfer capacity, BME will resolve binding constraints at that External Proxy Bus using the decremental bid price or the sink price cap bid indicated by the Market Participants proposing the transactions.

In the operating hour the transfer capability and scheduled flows at the External Proxy Bus are fixed, and SCD is not required to re-solve for transmission congestion costs associated with the scheduled transactions. Therefore, in operating hours where an External Proxy Bus constraint is binding, Real-Time prices at the External Proxy Bus will be significantly different from the HAM prices, due to the absence of transmission congestion costs being reflected in the Real-Time price. Currently, scheduled HAM transactions at an External Proxy Bus are settled at the Real-Time price at the External Proxy Bus during the operating hour, and the import transactions receive a Bid Production Cost Guarantee for the deviation in price between the HAM and Real-Time price.

The Market Design Flaw in the current process is that transmission congestion constraints present when BME schedules HAM transactions are not reflected in the Real-Time settlement prices. Under the rules set forth below, the transmission congestion costs present in BME will be reflected in the SCD prices, so that a Market Participant proposing a HAM transaction will be charged the full cost of supplying that transaction, up to the decremental bid cost or sink price cap bid indicated by the Market Participant at the time the HAM transaction was proposed.

Implementation Rules

1. These rules apply in hours that HAM import or export transactions are constrained in BME at an External Proxy Bus (EPB) by a transmission limitation or Desired Network Interchange (DNI) limit (an "EPB Limit").
2. For each hour in which an EPB Limit constrains net *imports* to NYCA from an External Proxy Bus in the HAM, the Real-Time settlement price at that External Proxy Bus will be the *lesser* of the real-time LBMP or the BME price at that External Proxy Bus.
3. For each hour in which an EPB Limit constrains net *exports* from NYCA to an External Proxy Bus in the HAM, the Real-Time settlement price at that External Proxy Bus will be the *greater* of the real-time LBMP or the BME price at that External Proxy Bus.

Issued: 8 September 2001, 3:00pm

Effective: 8 September 2001, Operating Hour Beginning 1800