



# COORDINATED TRANSACTION SCHEDULING WITH NYISO

## Proposal Report

September 26, 2013

### PJM/NYISO Coordinated Transaction Scheduling

As part of on-going efforts by the NYISO and PJM to address emerging seams issues across the shared interface between the NYISO and PJM, joint stakeholder discussions were held to develop an Interchange Optimization proposal called Coordinated Transaction Scheduling (CTS). The objective of CTS is to improve the overall interchange scheduling efficiency between NYISO and PJM. The CTS proposal provides an additional scheduling option that is expected to increase both forward price transparency and market efficiency. Additionally, the CTS proposal should create significant opportunity for increased efficiency over the shared interface between NYISO and PJM in regards to price convergence, utilization and flow direction.

### **Proposal**

Market Participants will have the ability to provide one of three types of bids at the common NYISO/PJM interfaces:

1. Hourly evaluations of traditional wheel-through transactions (existing)
2. Intra-hour evaluations of traditional LMP Bid/Offers (existing)
3. Intra-hour evaluations of CTS Interface Bid/Offers (new)

CTS Interface Bids may have up to four distinct bid curves with up to eleven \$/MW pairs. There must be at least one CTS interface bid for each 15-minute scheduling interval of the hour. CTS bids, like traditional LMP Bid/Offers, must be submitted according to NYISO's current market rules 75 minutes prior to the market hour.

Intra-hour schedules will be established every 15 minutes for the target time 30 to 45 minutes out from when the system information is collected by the dispatch software. This evaluation and scheduling process will occur earlier than current intra-hour scheduling process across the NYISO/PJM interface for all transactions. CTS Interface bids will be scheduled based on the projected price difference between PJM and NYISO at the interface.

The scheduling process will leverage PJM's existing Intermediate Term Security Constrained Economic Dispatch (IT SCED) application that has a two hour look-ahead capability. The most recently available information on prices from PJM's IT SCED will be used by the NYISO's Real Time Commitment (RTC) to establish both intra-hour schedules as well as forward looking advisory schedules. Each RTC run will also provide information on expected schedules to PJM. The advisory schedule information from NYISO's RTC run will be used in subsequent PJM IT SCED runs, thereby ensuring close coordination of interchange schedules across the NYISO/PJM interface.

### **Alternatives Considered**

Stakeholders requested PJM and NYISO to investigate the potential to eliminate fees associated with external transactions. PJM and NYISO staffs undertook a comprehensive analysis of transmission transaction fees currently



in place and presented these findings to stakeholders for their review. The significant transaction fee categories were PJM's Balancing Operating Reserve (BOR) charges, Transmission Service Charges for NYISO, and Schedules 7 or 8 for PJM.

PJM currently does not support the elimination of Schedule 7 and 8 Fees (i.e. Regional Through and Out Rates) until NYISO and PJM can reach additional agreements on Interregional Planning and Regional Transmission Enhancement Cost Allocation. Keeping schedule 7 and 8 fees in place as they are today maintains the realization of benefits from transmission system upgrades by the RTO funding the upgrades. PJM and NYISO are continuing discussions but no date is certain at this point on when an agreement may be reached.

PJM proposed to stakeholders the option to exempt CTS transactions from BOR charges in PJM. The exemption of BOR charges for CTS transactions was based on the fact that these transactions will economically benefit both NYISO and PJM and will be cleared and scheduled in response to near-term projected operating conditions. Stakeholders were not supportive of the elimination of BOR charges for CTS transactions and stated CTS transactions should be treated the same as real-time dispatchable transactions in place today.

Stakeholders have also requested PJM revisit its current integrated hourly settlement processes for all transactions and evaluate the possibility to change the hourly settlement time frame to a 15 minute settlement time frame to match current transaction scheduling time frames. This change would allow for stakeholder transactions to be settled on the same interval for which they flow vs. being integrated over the hour which has the potential to have negative consequences for stakeholders depending on how prices change within an hour. PJM staff has reviewed this proposal and found 15 minute settlements may be implementable for CTS transactions only in the near term. Extending 15 minute settlements for all transactions would be a significant change to all energy market settlements within PJM. Both will require vetting with PJM stakeholders. Feedback from stakeholders received via a survey indicated little support for changing the hourly settlement time frame to either 15 minute settlement option proposed.

## **Appendix I: Supplemental Documents**

[Problem statement](#)

[CTS Proposal Presentation](#)

[CTS Benefits Presentation](#)

## **Appendix II: Stakeholder Participation**

This proposal was vetted by stakeholders of the New York ISO (NYISO) and PJM. Stakeholder discussion materials for each meeting were posted on [pjm.com](http://pjm.com) under the [PJM/NYISO Interchange Coordination Initiative](#) meeting materials.

The MIC at its September 11, 2013 meeting endorsed the CTS proposal after receiving modifications to the proposal by acclamation vote with 17 objections and 43 abstentions. The main components of the CTS proposal were initially proposed as follows:

- CTS will be an optional scheduling product over the PJM/NYISO Interface using an Interface bid/offer;



- CTS Interface bids will be evaluated and scheduled based on the projected price difference between PJM and NYISO at the Interface;
- Ramp utilization improvements will be applied to NYISO schedules so they do not hold ramp until preliminary results are provided to PJM;
- CTS Credit requirement will be the greater of the 97<sup>th</sup> percentile historical hourly price for the node or the projected price for the node;
- Transmission fees and uplift costs are unchanged from today;
- CTS Transactions will be continue to be settled on an hourly basis consistent with the current PJM Energy Market settlements;
- A checkpoint to review forward price performance will be conducted in the summer of 2014 prior to implementation of CTS.

During the September 11, PJM MIC meeting, PJM Stakeholders proposed the following additions to the CTS proposal that included provisions for:

- PJM to post data from ITSCED forecasts beginning with monthly data for November 2013;
- PJM will conduct the necessary stakeholder sessions to discuss and develop reasonable standards of accuracy for the ITSCED forecast by April 2014. PJM will present to stakeholders an analysis of the accuracy of the ITSCED price forecasts before or at the June 2014 MRC meeting;
- PJM shall schedule a vote to move forward with the CTS implementation no earlier than the July 2014 meeting but at least two full calendar months prior to actual implementation of CTS. Such vote shall be limited to endorsing the implementation date based on the accuracy of the price forecast. To the extent the implementation of CTS is delayed by failure to achieve a successful vote, PJM shall schedule a vote to move forward with the CTS implementation at a subsequent MRC meeting that is at least two full calendar months prior to proposed implementation of CTS;
- PJM shall make reasonable efforts to notify market participants of any changes to ITSCED that would have any effect on ITSCED forecasts, including any software updates, 90 minutes prior to making such changes;
- PJM shall include discussion of the appropriate BOR charges for CTS transactions in the EMUSTF's efforts;
- PJM shall collect appropriate transmission service charges for CTS transaction in a manner that is consistent with the transmission service charges for all cross-border transactions;
- In any revisions to the credit policy to address the credit risks of CTS transactions, PJM will implement equivalent changes to all export transactions posing the same credit risk prior to implementation of CTS.

The MIC agreed that the vote taken at the September 11 meeting was to endorse the OATT and manual revisions but the second vote would be taken next year and would be based on the implementation date and whether



stakeholders are satisfied with ITSCED price forecast performance. Additional votes going forward are about timing of implementing the CTS proposal and will not unwind this endorsement vote for the CTS proposal.

#### **Appendix IV: Issue Tracking**

Complete history of this issue can be found on the Issue Tracking website at [PJM/NYISO Coordinated Transaction Scheduling](#).