Affiliated Fuel Supplier M15 Updates

Why Current Implementation Can Produce Unintended Results

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Decision Making Authority

Fuel Supplier

- Provides fuel pricing
- Determines whether fuel is available
- Determines whether a transaction will occur

Decides whether to sell fuel

Market Seller / Resource Owner

- Submits market offers
- Responsible for Fuel Cost Policy compliance
- Bears financial risk of market participation

Decides whether to purchase fuel

Energy Manager

- Provides operational and commercial support
- Facilitates market participation
- Does not determine fuel pricing
- Does not decide whether fuel is purchased

No decision-making authority

Only the Fuel Supplier and Market Seller determine fuel price and whether a transaction occurs.

Potential Unintended Consequences

Non-Executable Pricing

- Third-party suppliers may provide quotes that are not intended to result in a transaction.
- Compliance quotes may not reflect executable market prices.

Higher Costs to Load (Quote)

- Non-actionable third-party quotes may exceed executable fuel prices.
- Higher fuel inputs may be reflected in cost-based offers, potentially setting a higher LMP or increasing make-whole.

Potential Cost Under-Recovery (Index)

- Publicly traded index pricing can diverge from executable spot pricing during volatile events.
- Next Day Index pricing may not accurately reflect Same Day executable pricing.

Reduced Cost Accuracy

- Public pricing and compliance quotes may not reflect actual short-run marginal fuel cost.
- Cost-based offers become less representative of actual operating costs.

Reduced Competition

- Proposal favors non-affiliated commercial structures.
- Discourages integrated fuel supply and energy management arrangements.

Points for Consideration

- What evidence demonstrates that the identified risk is more likely to occur in affiliated arrangements than non–affiliated arrangements?
- Do non-actionable third-party quotes and/or stale index prices produce more accurate fuel costs than executable fuel prices?
- Does the proposal consistently reflect short-run marginal fuel cost?
- Could the proposal increase costs to load by forcing reliance on non-executable pricing?

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