

EMUSTF Phase 3

LM Power Proposal

LM Power's proposal is identical to PJM's proposal, with the exception: LM Power proposes to reduce the available Inc/Dec nodes from the current set (about 12,000 nodes) to the FTR Prompt node list (about 6,634 nodes). LM Power believes any further reduction to the granularity of Inc/Dec nodes would have a net negative impact on the market as the benefits become marginal but the detriments increase.

DA solution time:

This proposal addresses the DA solution time concern by reducing the UTC nodes to only zones, hubs and interfaces, and cutting by half the available Inc/Dec nodes. Any further reduction in the amount of Inc/Dec nodes is not needed in terms of DA solution time improvement.

Low risk trades:

The low risk trade concern is mostly related to UTC transactions as they are not exposed to the energy component. This proposal addresses the concern by limiting UTC nodes to only zones, hubs and interfaces. With Inc/Dec transactions exposed to the energy component risk and currently assessed uplift charges, there is no significant concern of low risk trades with these transactions. Constraining the Inc/Dec nodes further beyond the proposed reduction will not provide any significant benefit regarding this issue.

Ability to take FTR positions to RT:

Both physical and financial participants that are managing their risk by hedging can benefit from the ability to transfer the settlement of their FTR positions from DA to RT. This is done by entering into Inc/Dec transactions but is only possible if the set of Inc/Dec nodes matches the nodes used in the FTR market. This proposal aims to preserve the availability of this tool to market participants by setting the set of Inc/Dec nodes to the minimum required.