

# WESTERN ENERGY IMBALANCE MARKET

## Briefing on market parameter changes enhancement and decision on advisory role

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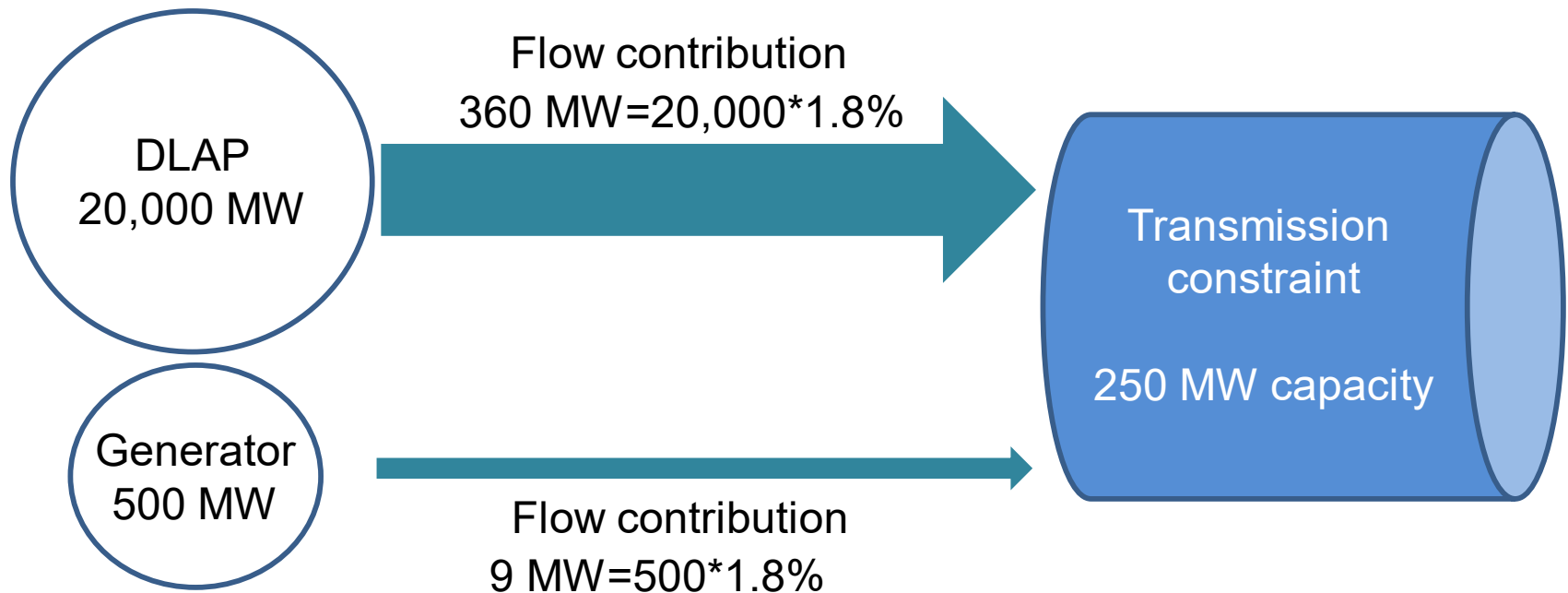
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## Background - Shift factor threshold

- The market systems estimates parameters known as “shift factors” that measure the contribution of a resource at certain locations to power flows to address a given transmission constraint
- Shift factors threshold values direct the market software on what resources to use manage congestion in the energy markets which forms and determine resource dispatches and the price for congestion in the market
- The current threshold setting is set to 2% to balance ineffective redispatch consistent with good utility practice and handle computational burden

# Management identified an inefficiency with using a shift factor threshold for aggregated locations



Although default load aggregation points and trading hubs may have a shift factor below 2%, their MW contributions to flows can still be significant

## Current threshold has unintended inefficiencies in congestion used for settlement of congestion revenue rights

- Injections at locations with a shift factor below 2% will not be considered in congestion management (dispatches and prices)
- Relative to small-capacity constraints, the flow contribution from aggregated locations can be too large to disregard, even when their shift factor is below 2%
- Results in under-collection of congestion revenue from the energy market to fund released congestion revenue rights

## Management proposes to apply a 0.2% threshold to aggregated locations (default load aggregation points and trading hubs)

- A 0.2% will apply only to default load aggregations points, trading hubs, and certain interties that share the same aggregation implications in the ISO balancing area only
- Current threshold of 2% will continue to apply to any other location
- Proposed logic will apply to both day-ahead and real-time markets

While stakeholders generally supported the overall proposal, some expressed concerns with elements

- Some suggested the lower threshold should apply to intertie locations or to all locations
- A stakeholder expressed concerns with the lower threshold resulting in higher prices
- A stakeholder expressed interest in better understanding the decisional classification if this may impact future Extended Day-Ahead Market (EDAM) participants

Management recommends the WEIM Governing Body advise the ISO Board of Governors of its support for the proposal to apply a 0.2% shift factor threshold to ISO–only aggregated locations

- Proposal improves effectiveness of aggregate locations in congestion management and prices will more accurately reflect the price of congestion
- The settlements of congestion revenue rights will be more accurately reflect the ISO day-ahead market congestion