

Inter-SC Trade Comparison (Current vs. MRTU)

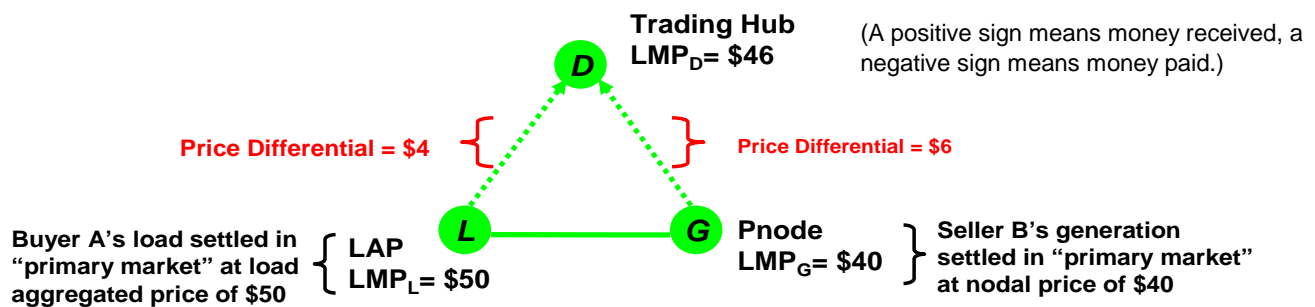
CURRENT	MRTU
<p>Scheduling Coordinators (SCs) must submit balanced energy schedules to the CAISO in the Day-Ahead. Inter-SC Trades are necessary to balance portfolios.</p> <p>Balanced schedules: Generation + Imports + IST Sources = Load + Exports + IST Sinks</p>	<p>Introduction of forward energy market eliminates the balanced schedule requirement of the current design. Therefore, Inter-SC Trades are no longer necessary to balance portfolios.</p>
<p>CAISO performs Day-Ahead congestion management for “Inter-zonal interfaces” and adjusts SCs’ balanced schedules, keeping their adjusted schedules in balance. Inter-SC Trades are included in the inter-zonal congestion management process.</p>	<p>Inter-SC Trades are completely independent of optimal dispatch, congestion management, and LMP price determination. They are strictly financial transactions and are used solely for settlement purposes.</p>
<p>Since there is no Day-Ahead market for energy, when two SCs have a bilateral trade, CAISO does not pay the seller for the energy, nor does the buyer get charged by CAISO for the energy. The seller and buyer schedule the energy for congestion management purposes only.</p>	<p>Due to the Integrated Forward Market, the seller will be paid by CAISO (the LMP at the Pnode) and the buyer will be charged by CAISO (the LMP at the LAP) for their respective energy schedules.</p> <p>This results in a double payment to the seller (one from the buyer and one from CAISO), as well as a double charge to the buyer (one from the seller and one from CAISO).</p> <p>Inter SC Trades offset the double payment (charge) – but not necessarily for both parties – by providing a charge (payment) for the trade at the trade location (e.g. Trading Hub, LAP, or Pnode), which is, specified when the trade is submitted (see following example).</p>
<p>Purpose of ISTs today: To satisfy the Balanced Portfolio requirement and for Congestion Management.</p>	<p>Purpose of ISTs under MRTU: Under a forward energy market, ISTs become a Settlement service that the CAISO offers as opposed to an essential mandatory component of the market design. This settlement service serves to offset the double payments and charges referenced above. Depending on what type of IST submitted, it also allows the buyer and seller to specify which party is responsible for congestion charges.</p>

Types of Energy trades under MRTU:*

- “Physical” (PHY) Trade
 - The seller’s generator is identified.
 - Both parties are settled at the Pnode of that generator
- Aggregated Pricing Node (APN) Trade
 - SCs have the choice of being settled at one of the three LAPs or:
 - One of the three Trading Hubs (NP15, SP15 or ZP26)

* Ancillary Service and IFM Load Uplift Obligation Trades are not addressed in this document. Please refer to the Market Instruments BPM for more information.

Buyer A and Seller B have a Bilateral Contract (non-ISO) at an agreed upon price of \$70/MWh



If Buyer A & Seller B submit an APN Trade @ the Trading Hub:

	<u>Buyer A</u>	<u>Seller B</u>
ISO LMP @ Pnode/LAP	-50	40
ISO LMP @ Trading Hub	46	-46
Price Difference	-4	-6
Non-ISO Bilateral Contract Price	-70	70
Price Difference	-4	-6
SC's Relative Net Position	-74	64

If Buyer A & Seller B submit an APN Trade @ the LAP:

	<u>Buyer A</u>	<u>Seller B</u>
ISO LMP @ Pnode/LAP	-50	40
ISO LMP @ LAP	50	-50
Price Difference	0	-10
Non-ISO Bilateral Contract Price	-70	70
Price Difference	0	-10
SC's Relative Net Position	-70	60

If Buyer A & Seller B submit a PHY Trade (always @ the Pnode):

	<u>Buyer A</u>	<u>Seller B</u>
ISO LMP @ Pnode/LAP	-50	40
ISO LMP @ Pnode	40	-40
Price Difference	-10	0
Non-ISO Bilateral Contract Price	-70	70
Price Difference	-10	0
SC's Relative Net Position	-80	70