

Extend TCR Auction Period

NextEra Energy Resources

Extending the TCR Auction calendar will allow Market Participants to more effectively hedge congestion

Summary

- **Many participants have long-term basis exposure**
 - Currently, can only hedge relatively short periods
- **Extending the calendar to allow MPs to purchase TCRs further in advance (18 to 24 months) will improve hedging**
- **Addition of multiple rounds spread through the 18 – 24 month window**
 - ERCOT example of buying TCRs 2nd half of 2021
 - March 2019 – 10% of Auction Capacity released for July – December 2021
 - August 2019 – 20% of Auction Capacity released for July – December 2021
 - January 2020 – 30% of Auction Capacity released for July – December 2021
 - June 2020 – 40% of Auction Capacity released for July – December 2021
 - November 2020 – 55% of Auction Capacity released for July – December 2021
 - Monthly Auctions – 90% of Auction Capacity released for each monthly auction

A longer auction period should encourage greater participation and improve hedging outcomes

Issue Description

- Current process results in reactionary bidding informed by most recent market settlements
- Large emphasis is placed on Monthly Auction
- MPs become increasingly price sensitive resulting in uncovered positions

Potential Benefits

- MPs can layer into hedges more effectively alleviating some of the volatility in the monthly auctions
- Extending the calendar will allow MPs to soften the impact of changes within the transmission system, such as:
 - New upgrades coming online
 - Congestion patterns changing

Combined with a Real-Time Hedge product, extending the auction calendar will provide a robust tool-kit to hedge congestion

Other ISOs/RTOs have similar auction calendars to allow both hedging further in advance as well multiple chances for a layered approach

Similar Auction Calendars in Other ISOs/RTOs

- **PJM**
 - Up to ~4 years in advance
 - E.g. June 2020 can begin buying FTRs through May 2024
- **ERCOT**
 - Up to ~2.5 years in advance
 - E.g. March 2020 can buy 2nd half of 2022

With only two chances to purchase TCRs (annual & monthly), bidding behavior is more reactionary

Potential Impacts – SPP Assessment

- **Potential System Impacts:**
 - CMT, Congestion Hedging
- **Potential MCE Performance Impact:**
 - None
- **Potential Complexity:**
 - Design: Low
 - Implementation: High
- **Market Philosophy Impacts: Price Formation, Price Convergence, Market Efficiency, Market Transparency, Market Reliability**
 - Price Formation

SPP Comments

- **SPP supports changes to the TCR Auction calendar. Changes to create multiple rounds and eliminating the Annual ARR Allocation and Annual TCR Auction process while keeping the Annual LTCR process is supported by SPP. SPP realizes the benefits of moving towards a seasonal or a monthly only process for the ARR Allocation and TCR Auctions. These benefits would include a more near-term forecast of Transmission Service Entitlements, outages and topology changes. A change like this could decrease TCR Underfunding by having a more up to date outages and topology changes.**
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- **The changes proposed by Nextera to increase the horizon are not supported by SPP. Extending the horizon actually increases the variability because congestion in SPP is impacted by actions of the entire Eastern Interconnect (eg Market to Market flowgates) and the transmission and generation expansion within SPP.**