



SIR21 INTERFACE PRICING (SPP)

MARKET DESIGN

MARCH 18, 2020

*Helping our members work together to keep
the lights on... today and in the future.*



SouthwestPowerPool



SPPorg



southwest-power-pool

SIR21 INTERFACE PRICING (SPP)

- **Purpose:**

- Split the current Interface price nodes into smaller, more regionally similar price nodes in order to increase pricing transparency at the interfaces.

- **Potential Benefit:**

- The more granular interface price nodes will better reflect localized congress cost at the interface and improve interchange transaction pricing

- **Known Risks:**

- The current interface source/sinks used for interchange transaction will go away and be replaced with more granular options. Market Participants will have to change tagging procedures to adjust to the new source/sink definitions.

- **Known Impacts:**

- This will increase the number of valid source/sinks available to Market Participants

SIR21 INTERFACE PRICING (SPP)

- **Potential System / Process Impacts**
 - MCE, MDB
- **Potential MCE Performance Impact**
 - Low
- **Potential Complexity**
 - Design: Medium
 - Implementation: Low
- **Market Philosophy Impacts:**
 - Price Formation

SIR21 INTERFACE PRICING (SPP)

- **SPP MMU Comments 2020, updated on next slide**

- Interface pricing is of interest to the joint liaison committee made up of members of the Organization of MISO States and the SPP Regional State Committee (OMS/RSC). This topic has the attention of committee members and state commissioners in the SPP and MISO regions. It is on a list of seams issues to be evaluated through a joint effort with the SPP Independent Market Monitor, and Potomac Economics. The MMU supports a study of interface pricing, and would like to be included in the RTO's assumption and evaluation efforts, as well as any subsequent requirements and design efforts that stem from the study results.

SIR021 INTERFACE PRICING

SPP MMU Comments, 2021

- The MMU supports efforts to study potential improvements to interface prices that drive efficient transactions across the seams. More granular interface pricing nodes will better reflect local congestion on the seams and provide proper incentives for transactions in and out of the market.
- Granularity or multiple interface price nodes also introduces gaming opportunities to arbitrage energy between or within markets and will require rules to prohibit transactions from benefitting from this type of behavior.
- To achieve the intended results of using more granular interface locations requires a similar granularity in transmission service, transmission scheduling, and market clearing.
- Optimal results would also require a similar granularity in the MISO market so both markets clear energy as scheduled.
- The MMU considers SIR 21 and SIR 49 to be duplicate initiatives and believes they should be consolidated or addressed together.