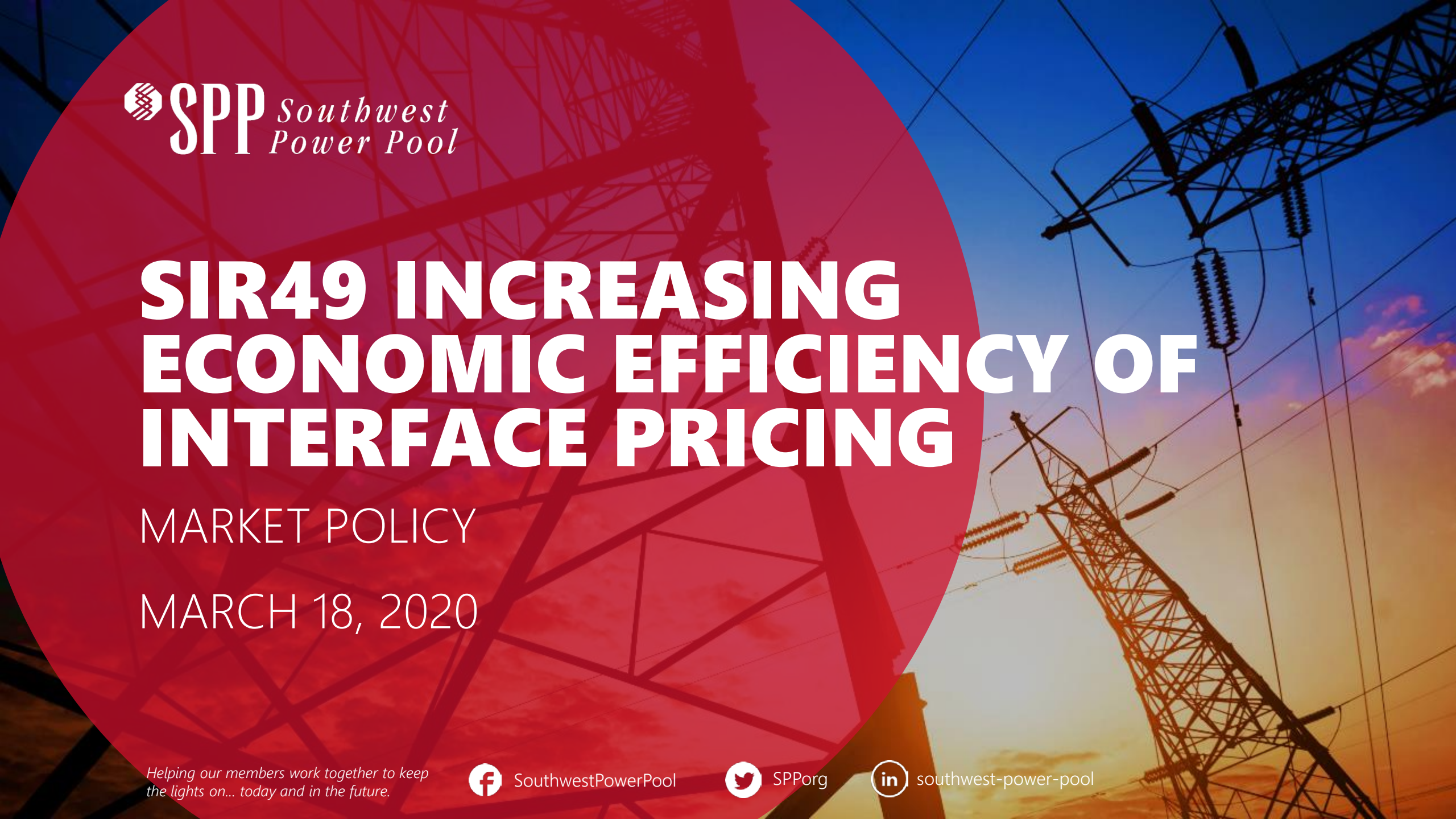

SPP Southwest Power Pool

SIR49 INCREASING ECONOMIC EFFICIENCY OF INTERFACE PRICING

MARKET POLICY

MARCH 18, 2020

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SIR49 INTERFACE PRICING GRANULARITY - SPP

- **Issue Description – Purpose:**
  - Reflect truer impacts of congestion in transactions entering or leaving the SPP market footprint by increasing the granularity of the interface prices.
- **Potential Benefit:**
  - First, to reduce the averaging of congestion impacts on imports and exports.
  - Second, reduce the likelihood of curtailments of imports and exports by increasing the economic consequence of transacting across a constrained region. The current methodology reduces the economic consequences by averaging across the entire eastern border of SPP.

SIR49 INTERFACE PRICING GRANULARITY - SPP

- **Potential System Impacts**
  - Settlement system will be impacted to employ the gaming mitigation logic on imports and exports.
- **Potential MCE Performance Impact**
  - Low
- **Potential Complexity**
  - Design: Medium
  - Implementation: Medium

SIR49 INTERFACE PRICING GRANULARITY - SPP

- **Potential Risk**
  - Creation of too many border prices
- Market Philosophy Impacts: Price Formation, Price Convergence, Market Efficiency, Market Transparency, Market Reliability
    - All
- **Example/Research/Analysis Information**
- Due to gaming activities between NYISO and PJM, SPP established a single interface price between MISO and SPP. This practice resulted in a single average LMP for a border of over 1,100 miles. Therefore, exports and imports that impact constraints are curtailed through TLR, rather than through Market Participants bearing the economic consequence of a constraint. The current practice may also dampen exports and imports across unconstrained areas because the interface price does not reflect that the area is unconstrained.

SIR49 INTERFACE PRICING GRANULARITY

SPP MMU Comments

- 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.