Joint and Common Market

IV. COMMERCIAL MARKET FLOW

Background

- Commercial Market Flow (CMF) - Nodal level Market Flow calculation that includes both generation-to-load (nodal injections/withdrawals) and transaction impacts (interface injections/withdrawals)
- Market-to-market Market Flow (M2M-MF) - Excludes transactions and only considers native generation-to-load impacts (per MISO-PJM JOA)
- In 2013, PJM proposed M2M MF and FFE adopt transaction impacts complementing CMF principles (align M2M payments with balancing revenue)

Process	CMF Used?	M2M-MF Used?
FTR Market	✓	
DA Market	✓	
RT Market Settlement	✓	
M2M		✓

Status Update

- MISO, PJM and SPP have discussed this topic at great length
- RTOs are working on a joint report that will be shared with stakeholders in next few months
- RTOs identified various impacts that this proposal could introduce and have narrowed down the following outstanding items:
  - Potential Impact of MISO and PJM having different interface definitions
  - Ensure alignment with other JCM initiatives like Interface Pricing; Interchange Optimization (or Coordinated Transaction Scheduling)
  - Potential changes to Market Applications
  - Consistent application of the proposal in MISO, PJM and SPP

Next Steps

Item #	Activity	By
1	Finalize Joint Report with solutions to outstanding items	July 2014
2	Draft JOA language	September 2014
3	Final JOA language changes presented to stakeholders and publish the report	November 2014
4	File JOA language changes to ensure approval before annual ARR/FTR process	December 1, 2014
5	Implementation	June 1, 2015

Appendix

Appendix: Impacts on Settlement

Scenario	FFE	Day-ahead Market Flow	Real-Time commercial Market Flow	M2M Market Flow	Real-time Shadow Price	Balancing Congestion*	M2M Payment**	Total costs (Balancing Congestion + M2M Payments)
1	20	20	30	30	$3,500	$35,000	($35,000)	$0
2	20	20	10	10	$3,500	($35,000)	$35,000	$0
3	20	20	20	20	$3,500	$0	$0	$0
4	20	20	30	40	$3,500	$35,000	($70,000)	($35,000)
5	20	20	10	0	$3,500	($35,000)	$70,000	$35,000

***Balancing Congestion= (Real-Time Market Flow - Day-Ahead Market Flow) * Shadow Price of Constraint**
****M2M Payment = (FFE - M2M Market Flow) * Shadow Price of Constraint**

- The zero total costs for scenarios 1-3 is expected because the actual real-time commercial flow equals M2M market flow
- Proposed method will ensure actual real-time CMF is consistent with M2M market flow
- The non-zero total costs for scenarios 4 or 5 is what typically happens because of the mismatch between actual real-time market flow and M2M market flow