PJM Spot-in Transmission Service for Energy Imports from New York ISO

Problem / Opportunity Statement

The timing and method for reserving PJM spot-in transmission service for energy imports originating in the New York ISO market presents barriers for market participants to efficiently schedule such energy imports. Generally, market participants are not always able to reserve the appropriate amount of spot-in transmission service needed to support their import transactions that are cleared by New York ISO. This is particularly true for spot-in transmission service to support imports scheduled in the day-ahead market.

The problem stems primarily from (1) the misalignment of the timing of New York ISO's day-ahead market and the timing for requesting PJM spot-in service for day-ahead transactions, and (2) the process for reserving spot-in service. Market participants who wish to participate in New York ISO's day-ahead market must submit bids and offers by 5:00 AM ET. The window for requesting PJM spot-in service for the next day's operations opens at 9:00 AM ET. New York ISO releases the results of its day-ahead market typically around 9:35 AM ET, although the New York ISO has until 11:00 AM ET to do so. PJM's day-ahead market closes at 12:00 PM ET, but this will change to 10:30 AM ET on March 31, 2016.

The process for reserving spot-in service, which is free but limited in quantity, is a first-come, first-served process; those who request it first get the service. Also, spot-in service that's reserved the day prior to the operating day isn't necessarily utilized by participants to support cleared day-ahead transactions; participants may hold this service to support transactions that are scheduled and cleared intra-day. There's no preference given in the reservation process to transactions cleared day-ahead over those cleared intra-day.

Because of the misalignment of timelines and the process for reserving the product, there is an incentive for market participants to quickly request as much spot-in service as they expect they might need for importing power from New York ISO. By the time New York ISO releases its day-ahead results, there may not be enough spot-in service available for participants who received a cleared day-ahead schedule to import power into PJM. If a market participant receives less spot-in service than what is needed to fully support its cleared day-ahead energy schedule, then the participant is left scrambling to find unused transmission service. If unsuccessful, the transaction is curtailed due to not having sufficient transmission, which can create imbalances that must be settled against real-time prices, an undesirable and unnecessary risk. Intuitively, this has the effect of lowering competition at the seam because some market participants may be discouraged from importing energy supply from New York ISO, since these market participants may not want to take the risk that they won't be able to get the spot-in transmission service to support their day-ahead transactions.

While it's true that market participants have the option to purchase transmission, such as daily or weekly non-firm service, to help mitigate this risk, there is still a potential problem that all of this transmission capacity will be purchased quickly ahead of time by a number of market participants that's less than the total number of market participants who are willing to import power from New York ISO on any given day. This presents a similar problem of potentially limiting competition at the seam by shutting out entities that are willing to import power but are not willing to take the risk of obtaining an inadequate amount of spot-in transmission service.

In general, it seems that the current process for energy imports originating in the New York ISO market is problematic. New York ISO's energy market model contains a representation of the physical capacity available for exporting power to PJM. Ultimately, New York ISO's evaluation determines which transactions will clear and get to utilize this export capacity based upon transaction economics, not based upon which participants were simply quick enough to reserve a quantity of transmission capacity that may or may not match up with actual needs.