

4. Day-Ahead Energy Market Coordination

The Day-Ahead energy market coordination focuses primarily on ensuring that the Day-Ahead scheduled flows on all M2M Flowgates are limited to no more than the Firm Flow Entitlements for each RTO. **For the purposes of determining the Firm Flow Entitlement to model in a RTO's Day-Ahead market, either RTO may adjust the Firm Flow Entitlement to align with M2M settlement rules.** When system conditions can accommodate the change, either RTO may request that the Day-Ahead flow limit be raised above its Firm Flow Entitlement.

The Day-Ahead energy market redispatch protocol may be implemented in the Day-Ahead energy market upon the request of either RTO if the adjacent RTO verifies that such Day-Ahead redispatch is feasible.

An example of the Day-Ahead energy market protocol is as follows:

1. The Requesting RTO specifies the amount of scheduled flow reduction that it is requesting on a specific M2M Flowgate and communicates the request to the Responding RTO
2. The Responding RTO will then lower the MW limit that it utilizes in its Day-Ahead market on the specified M2M Flowgate by the specified amount. This means that instead of modeling the M2M Flowgate constraint at flow entitlement amount, the Responding RTO will model the constraint as the flow entitlement less the requested MW reduction. Therefore, the Responding RTO will schedule less flow on the specified M2M Flowgate in order to provide Day-Ahead congestion relief for the Requesting RTO. The Requesting RTO may then use the additional MW capability in its own Day-Ahead market.

4.1 Day-Ahead Energy Market Coordination Procedures

The following procedure will apply to the modeling of M2M Flowgates in the Day-Ahead energy markets, unless either the Monitoring RTO or the Non-Monitoring RTO requests specific exceptions.

- Each RTO will model all M2M Flowgates, for which it is the Reliability Coordinator, in its Day-Ahead market and Day-Ahead reliability analyses, with the limit set equal to the applicable facility limit less the Firm Flow Entitlement of the Non-Monitoring RTO.
- Each RTO will model all M2M Flowgates, for which it is NOT the Reliability Coordinator, in its Day-Ahead Market and Day-Ahead reliability analysis with the limit set equal to its Firm Flow Entitlement for that M2M Flowgate.
- The Monitoring RTO will include an appropriate loop flow model in its Day-Ahead process. However, this loop flow model will not account for loop flows contributed by deliveries associated with the Non-Monitoring RTO market since these flows are accounted for by the Firm Flow Entitlement.

An M2M Flowgate limit exception is a request to alter the M2M Flowgate limits, as described above, that will be modeled in the Day-Ahead markets and/or the Day-Ahead reliability analysis. The following procedure will apply for designating M2M Flowgate limit exceptions:

1. If the Requesting RTO identifies a need to utilize more of an M2M Flowgate than it is entitled, it may request the Responding RTO to lower its Day-Ahead Market limit below its Firm Flow Entitlement by a specified amount and range of hours. The Requesting RTO must request the adjustment from the Responding RTO as soon as possible but not later than one hour prior to the Responding RTO's deadline for submitting bids and offers in the day-ahead market.
2. If the Responding RTO agrees to provide the limit reduction, it will communicate the approved amount to the Requesting RTO as soon as possible but not later than to the Requesting RTO's deadline for submitting bids and offers in the day-ahead market.
3. The Requesting RTO may increase its limit on the M2M Flowgate by the agreed upon and specified amount and range of hours.
4. Either Party may rescind the agreement up to one hour after the Responding RTO's deadline for submitting bids and offers in the day-ahead market.

4.2 Day-Ahead Energy Market Settlements

The market settlements for Day-Ahead congestion relief will be performed in a similar manner to the Real-Time energy market settlements of the coordinated congestion management protocol. The Day-Ahead payment for the RTO that is requesting congestion relief will be calculated as follows:

$$\text{Payment} = \text{Approved MW} * \text{Transmission Constraint Shadow Price in Responding RTOs Dispatch Solution}$$

This payment will be calculated based on the hourly Day-Ahead Market results. If such congestion relief is requested and performed on a Day-Ahead basis, then the Real-Time flow entitlement for the affected hours in the corresponding Real-Time market will be adjusted accordingly.

5 Auction Revenue Rights (ARR) Allocation/Financial Transmission Rights (FTR) Auction Coordination

The allocation of ARR and FTR products in each marketplace must recognize the ~~flowgate entitlement~~Firm Flow Entitlement that exists in adjacent markets. The ARR allocation and FTR Auction model will contain the same level of detail for adjacent regions as the Day-Ahead market model and the Real-Time market model. Each RTO will allocate ARRs via Annual ARR Allocation award, and award FTRs via Annual and Monthly FTR Auction to Network and Firm Transmission customers subject to their participation and simultaneous feasibility test that determines the amount of transmission capability that exists to support the ARRs and FTRs.

The simultaneous feasibility analysis for each RTO will model that RTO's ~~flow entitlement~~Firm Flow Entitlement on the transmission flowgates in the adjacent region as the Market Flow limit that must be respected in the ARR Allocation and FTR Auction processes. **For the purposes of determining the Firm Flow Entitlement to model in a RTO's FTR market, either RTO may adjust the Firm Flow Entitlement to align with M2M settlement rules.** The transmission flowgates in each RTO will be modeled in the simultaneous feasibility test at a capability value equal to the flowgate rating minus the ~~flow entitlement~~Firm Flow Entitlement that exists for flows from the adjacent market. In this way, the ARR Allocation and the FTR Auction across both RTOs will recognize the reciprocal transmission utilization that exists for Network and Firm transmission customers in both markets.