



Joint and Common Market

INTERFACE PRICE DEFINITION UPDATE

Background

- 2012: MISO stakeholders recommended evaluating interface definitions to improve the MCC signal
- 2013: Potomac Economics recommended excluding external congestion from interface pricing
- 2014: PJM proposed a common interface definition, WPPI recommending a common interface definition
- 2014: Interface Price Small Group (IPSG) was organized to coordinate discussions on interface pricing

Background

MISO Interface Price Definition:

Derived from all external generator bus prices for a specific BA
MISO's PJM interface is the average LMP of ~1800 PJM generator buses

PJM Interface Price Definition:

Derived from small number of strategically selected generation buses

PJM's MISO interface is the average LMP of 10 gen buses

Background

- Two Proposals to modify existing Interface Price Definitions

Common Interface at NMRTO's Reference Bus: Both MISO and PJM remove external congestion from their interface price definitions and allow the MRTTO to fully price its own constraint (**Potomac Economics Proposal**)

Common Interface at the Seam: Both MISO and PJM adopt a common interface price definition, that will represent the impact of physical flows between PJM and MISO (**PJM Proposal**)

Interface Pricing Small Group (IPSG)

Objective: Coordinate development of interface price design

Participants: MISO, PJM, Potomac Economics, Monitoring Analytics, Stakeholder subject matter experts.

Progress:

1. Identification of scope and work approach
2. Draft a set of Guiding Principles
3. Agreement that current mismatch in interface price definitions has undesirable consequences for pricing and settlements
4. Examination of how the proposed solutions affect settlements, scheduling incentives and implementation aspects

Recent IPSG Agenda Topics

- Analysis of Interface Shift Factors (Potomac)
- Analysis of Seam Interface Proposal using historical data (Potomac)
- Conceptual examples to illustrate concerns in removing external congestion at the interface (PJM)
- Discussion of Key Interface Design Principles (WPPI)

Next Steps

Conclude the Guiding Principles (Sept)

Continue Technical Discussions (Sept - Oct)

- Design Principles and JOA Implications (WPPI)
- Evaluation of Potomac Shift Factor analysis (PJM)
- Evaluation of Historical Interface Shift Factors (MISO)

Identify benchmarks/criteria and evaluate alternative methodologies (Oct-Nov)

Develop recommendations (Nov-Dec)

Questions



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