Residual Zone Pricing

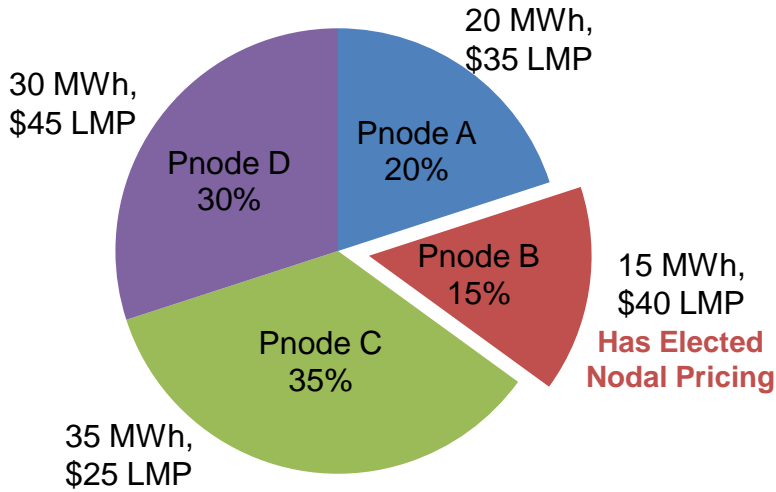MRC

September 15, 2011

- **Residual Zone**
  - An aggregate containing all load buses in the physical zone, minus all load that has been designated to be priced at a specific non-zonal (or nodal) location
    - Zones with multiple EDCs will have residual metered EDC aggregates

- **Residual Zone Pricing**
  - Use of the residual zone LMP rather than the physical zone LMP for pricing load and related market activity

- Residual zone aggregate definition is more representative of actual load distributions

- Physical and residual zone prices may become more disparate with the introduction of more nodal load

- Avoid potential resettlements in the future

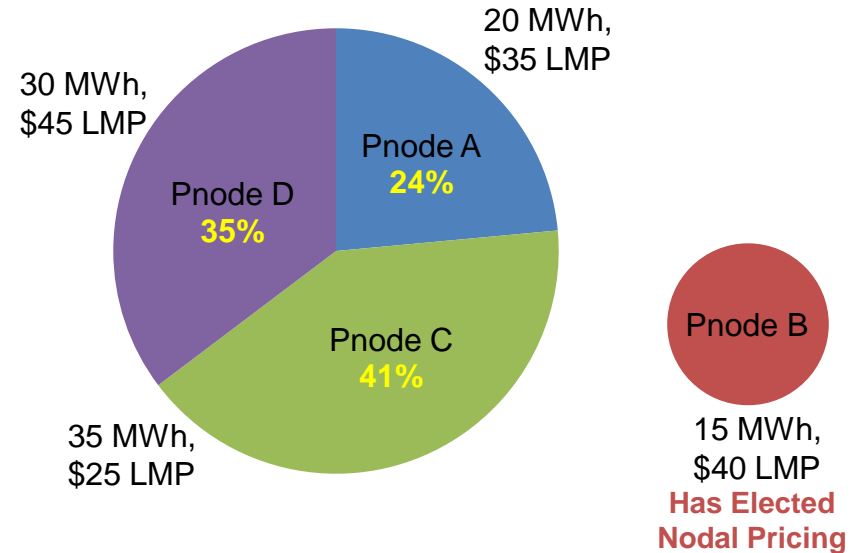- Systems in place are capable of calculating the residual zone definition

- **Price transparency**

  - Residual Zone LMP will be posted

  - Residual zone pricing point available in Day-ahead market, FTR/ARR modeling, and bilateral transactions

- **All non-nodal load in a zone pays the same price**

- **Residual zone price more accurately reflects the composition of non-nodal priced load in the zone**

Physical Zone Definition

20 MWh, $35 LMP

30 MWh, $45 LMP

Pnode A 20%

Pnode D 30%

Pnode B 15%

15 MWh, $40 LMP

Has Elected Nodal Pricing

Pnode C 35%

35 MWh, $25 LMP

Total Zone Load Charges: $ 3525
Physical Zone LMP: $ 35.25

Residual Zone Definition

20 MWh, $35 LMP

30 MWh, $45 LMP

Pnode A 24%

Pnode D 35%

Pnode C 41%

35 MWh, $25 LMP

Pnode B

15 MWh, $40 LMP

Has Elected Nodal Pricing

Total Zone Load Charges: $ 3525
Residual Zone LMP: $ 34.41

OATT Attachment K – Appendix / Schedule 1 of OA

- New defined term: Residual Metered Load

  1.3.31.01A Residual Metered Load
  "Residual Metered Load" shall mean all load remaining in an electric distribution company's fully metered franchise area(s) or service territory(ies) after all nodally priced load of entities serving load in such area(s) or territory(ies) has been carved out.

- Added description of how the Day-ahead Congestion Price of residual metered load is calculated (mirrors language for how the price is calculated for the physical zone)

  5.2.3 Target Allocation of Transmission Congestion Credits
  "The Day-ahead Congestion Price of Residual Metered Load is calculated as the sum of the Day-ahead Congestion Price of each bus that comprises the Residual Metered Load multiplied by the percent of the annual peak residual load assigned to each node in the franchise area(s) or service territory(ies) of the Residual Metered Load."

- ## Manual 27, Section 5.6
  - Additional peak load data requirement for nodal pricing settlement requests (used to determine residual zone definition for FTR Credit Target Allocation)

- ## Manual 28
  - Section 3.6 Residual Metered EDC Load Determination
  - Section 3.7 Residual Metered EDC Pricing Definitions and Business Rules
  - Section 7.3 & 8.3 – Reconciliation for Transmission Congestion & Loss Charges

- ## Manual 11, Section 2.3.2
  - Added description of Residual Metered EDC day-ahead default distribution

In order for residual zone pricing to be available starting on June 1, 2012:

Tariff / OA and Manual Changes

- **MIC**
  - Review: September 13th
  - Vote: October 4th (manuals)
- **MRC**
  - Review: September 15th
  - Vote: October 12th (manuals and Tariff/OA)
- **MC**
  - Review: September 22nd
  - Vote: October 20th (Tariff/OA)

  Note: MSS meeting scheduled for September 19th