Spread Bidding in the Day Ahead Energy Market

MIC Meeting

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Market Monitoring Unit

- The spread bid.
  - The offer to buy from one hub and sell in another is only valid if the defined spread requirement is met.
  - The spread can be set to a positive or negative value between hubs
  - The spread can be set to apply if the spread is greater than or less than that value.

- The proposal provides an example where a participant "will sell East hub and buy West hub if the prices have a difference of greater than or equal to $40".
  - Sell East Hub at $20 and buy West Hub at $60.
  - The spread bid pays if RT congestion is greater than DA congestion between East and West Hub.
  - If the DA market shows the required spread, after accounting for the spread bid, the offer at the East Hub and the bid at the West Hub are accepted in the DA market.

- Manipulating FTRs
  - Mitigation is currently employed to prevent participants using INC/DECS to inflate FTR values between nodes, but not hubs.
  - Spreads are conditional INC/DECS

- MMU has significant concerns with spread bids
  - Facilitates manipulating FTR market
  - Facilitates market power by forcing units to run and creating artificial congestion DA
  - Facilitates circumvention of offer cap rules
  - No clear benefits to offset potential costs of mitigation