

PDM Issues (PSALM)

1. Nodal prices cause undue high market prices if there is substantial load behind a transmission line constraint.

With nodal prices, Sual in Luzon will have absolute market power until Southern transmission line constraints are released. It can withdraw capacity and set prices at very high levels. The same is true for generators in Cebu, Negros and Panay.

Expanding the zonal areas could still allow these generators to bid higher prices but the effect will be negated by the payment of load weighted zonal prices.

2. Constraint violation pricing has not been set in the PDM, nor have the methods by which they will be applied, i.e. will they influence pool prices?
3. There is no market cap – conceivably prices can reach any amount for undetermined periods. This will severely impact on the credit risk of both Gencos and Distribution companies. I believe this should be initially regulated by the ERC.
4. The rules are not clear with regard to pricing payments and penalties for generation which is either constrained on or off.
5. The PDM uses a shadow pricing methodology which prices each node at the next MWh which is required to be provided in the system.
 - a. This may be either a positive or negative amount;
 - b. Participants are not readily (if at all) able to replicate these results;
 - c. As a result prices may be higher or lower than bid prices of marginal units.

Marginal rather than shadow pricing is more transparent, easier to calculate and is readily replicated by pool participants.

6. The method for pricing reserve or ancillary services has not been concluded.
7. In relation to item (3), the allowable duration of the market cap should be determined, i.e after how many hours of occurrence of a particular event/total as average prices reach a particular level.

What will generators be paid in an administrated market?

8. What will generators be paid if prices are below zero?

- Will SO get this?
- Will prices for settlement per peso = zero?
- If not, does consumer get this?

9. Will losses from nodal to zonal points be static or dynamic?

- recommend static as this is easier to understand/replicate
- static to be published annually.