



# MRTU HOMESTRETCH

13 November 2007 – 139 days to MRTU market launch on March 31, 2008

## Client Perspective: Preparing Business Processes for the Big Change

Getting ready for MRTU implementation requires a lot of technology changes and testing. But, there is a lot more that goes into the transition for market participants, as well as for the ISO. Specifically, businesses that are changing from the current market design to the MRTU design need to make sure that their business processes will support using the new technology and systems to achieve their business objectives. We spoke with MRTU Project Manager Spence Gerber from APX, Inc., one of the scheduling coordinators preparing for the transition to MRTU, to understand their perspective on business process changes

**Homestretch:** **APX is in somewhat of a unique position in that you don't participate directly in the electricity market, but you support other entities that do. What are your greatest challenges in helping your clients prepare for the transition to MRTU?**

**Gerber:** Our main priority right now is getting our clients familiar with our market applications so that they can align their business processes with the ISO markets. We are also being very proactive in educating our clients through seminars, newsletters and professional services engagements. We are encouraging our clients to participate in market simulations and working with them to ensure their participation is meaningful. As we continue to roll out incremental features and functionalities to support MRTU transactions, active participation will provide them the ability to become more familiar with the tools and provide them a better understanding of how to use them to meet their own business objectives.

One of the most important things for our clients—and probably all market participants—is to understand how the Day-Ahead Energy Market will work because it will have significant financial ramifications. It's completely new for the ISO market, and whether an entity wants to take a position in the market or simply schedule their own resources, they need a solid understanding of how to schedule the transaction to stay within their financial risk tolerances.

**Homestretch:** **Some of the businesses preparing for MRTU are using vendors to provide software and/or systems for all or part of the MRTU interface. Are there specific concerns related to integrating processes designed by outside entities?**

**Gerber:** One of the most important things for any entity that's working with a vendor is to be highly engaged through the development, testing and implementation process. If they can try out the software tools early in the testing and development process, they will be in a better position to suggest changes early enough that the vendor may be able to make modifications and identify any "show stoppers" early in the development cycle. Integration of existing processes and business cases becomes significantly more critical the closer we get to go live. The more familiar they are with the tools available, the more they can focus on understanding the market and how the changes are going to impact their business.

Like many of our clients, market participants are active and operate in other regional markets besides the ISO. Since all regional markets are unique from a technical perspective, vendors designing software or systems need to understand how the APIs (Application-Program Interfaces) and file structures differ market to market. To minimize the variables that our clients have to think about and allow them to concentrate on implementing their business strategies, APX has developed our applications to keep the look and feel consistent across all markets.

**Homestretch:** **How can a business be sure that they can manage the entire MRTU business cycle from bidding, through receiving market results and dispatch instructions and on through to settlements?**

**Gerber:** It is critical that participants understand the entire MRTU process bid-to-bill. The challenge in doing this is that everybody has a "day job" running their business on top of preparing for MRTU. So, we all need to set realistic expectations about what we can do. Having said that, though, each of the market participants will need to leverage and optimize the market simulation phases using a vendor's MRTU application or the ISO provided MRTU market applications to understand how data will flow through the whole cycle.

**Homestretch:** **That brings us to the MRTU Integrated Market Simulation (IMS) process: how important is participating in market simulation to defining MRTU business processes?**

**Gerber:** I think participating in market simulation is vital for everyone, and critical for those entities that have not previously participated in a market based on Locational Marginal Prices (LMPs). Some of our clients participate in other North American electricity markets, and are familiar with how to adapt their business practices to an LMP market structure. Those entities will focus on the nuances of the ISO market, relative to the others. And, some entities will be able to adapt their current business practices to the MRTU structure with relatively minor changes. But, unless a participant takes advantage of the hands-on opportunity of market simulation, they might find it challenging to operate their business after MRTU goes live. In addition to providing software solutions, APX works hand in hand with our clients to educate them on these ISO nuances and guide them through the process of assessing the impacts and opportunities on their business.

**Homestretch:** **Settlements is where “the rubber meets the road.” What should market participants be watching for to make sure that their market transactions will settle properly?**

**Gerber:** As I mentioned before, understanding the financial aspects of the Day-Ahead Energy Market will be critical for everyone. Entities that are marketing energy will need to know how their bids and offers will flow through the market. Those that simply want to self-schedule resources will need to ensure that resources are clearing the market and that they understand (settlements) Charge Code 6011 (Day Ahead Energy, Congestion and Loss Settlement). Another important consideration is gaining a clear understanding of the “lesser” settlements charge codes. With more than 130 separate charge codes, it would be tempting to assume that some of them will be insignificant. That may be the case, but participants won’t have a way to estimate the impact of those charge codes unless they work the entire bid-to-bill process through market simulation. What we all want is to be able to create a business case in market simulation that’s as close as possible to real market conditions so we can see whether we need any behavioral changes to mitigate settlement impacts. Of course, that also puts a major responsibility on the ISO to have the charge codes available in market simulation as early as possible.

**Homestretch:** **Many market participants are quite good at developing expertise through market experience and adapting quickly to market changes. How important is it to document the business processes behind an entity’s market expertise?**

**Gerber:** Like most aspects of the market, there is no one-size-fits-all for documentation. Some entities have a rigorous documentation practice while others are less so. The important thing is that each entity tests their new processes so they know what to expect and so they can make corrections as necessary.

**Homestretch:** **If you could give market participants one bit of advice on getting their internal business processes ready for MRTU GO LIVE, what would you tell them?**

**Gerber:** Probably the most important thing for any participant to do in preparing for MRTU is to spend time understanding the market design so they can do a gap analysis and know what is changing. Then, they can plan how they will make the needed changes. Some parts of their business may not change significantly (consider that the market timelines will not change dramatically from the current timeline) but other parts may need major modifications. The key will be to understand the new market.

We also need to consider other forces that affect our businesses outside of MRTU, such as Resource Adequacy requirements that will affect the amount of contracting for energy.

Keep in mind, too, that although the most time-sensitive need is preparing for the cutover to MRTU, that’s not the end of the process. Once the new market begins, all of us will need to analyze the market’s performance. Some entities may decide to change their business practices, for example, by procuring energy in the Day-Ahead Market to supplement long-term contracting, once they see how the market performs. This is a long-term commitment for both market participants and the ISO. Again, APX will be there to help our clients optimize their business performance in the new market environment.