

Flexible Resource Adequacy Criteria and Must Offer Obligation (FRAC MOO) Implementation

Fall Release 2014

Why do we need backstop capacity?

SC for LSE does not submit a plan that meets its flex RA requirement and does not cure the deficiency

ISO's monthly RA assessment indicates that there is insufficient capacity for a particular category

The ISO may exercise backstop procurement to meet the operational flex needs

Key points - FRAC MOO Settlements

- Settlement starts January 1, 2015
- Two CPM types:
 - CPM (for generic capacity)
 - CPM Flexible Capacity 

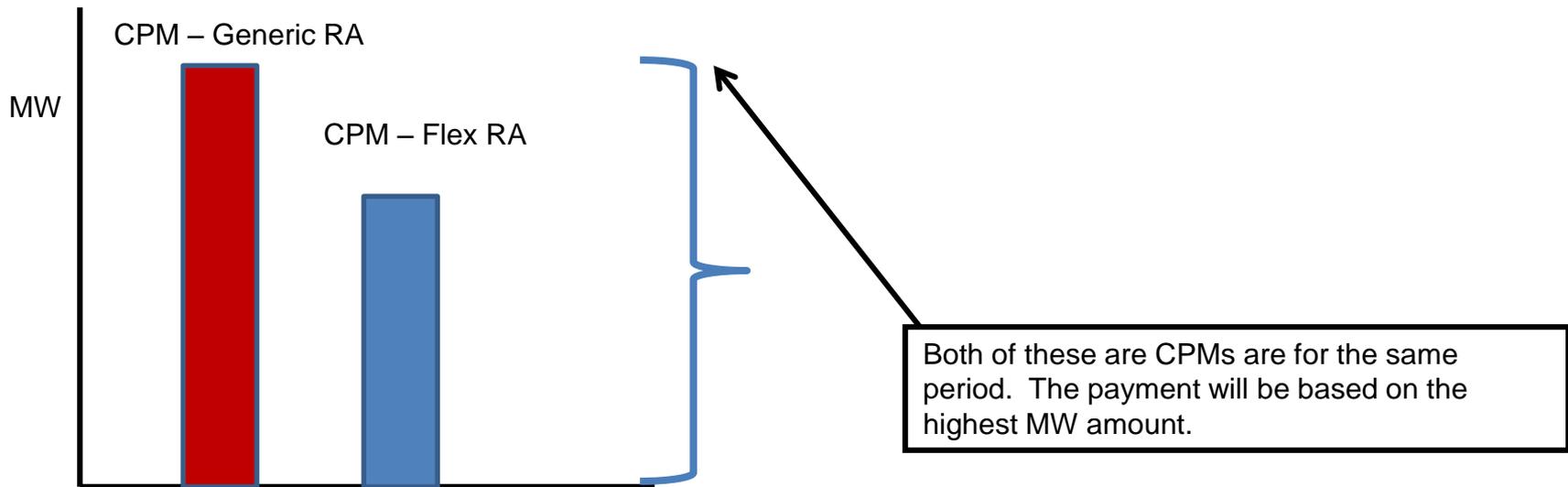
Changes to the “Metered Demand Over TAC Area and CPM Pre-Calculation”

- Purpose – Determines the metered demand allocation by TAC Area(s) (minus qualified TORs), CPM payment quantity, CPM allocation factors, and CPM availability percentages for the settlement of CPM Capacity.
- Affects the following charge codes:

Charge Code/ Pre-calc Name
CC 7872 – Monthly CPM Significant Event Settlement
CC 7873 – Monthly CPM Significant Event Allocation
CC 7874 – Monthly CPM Insufficient Local Capacity Area Resources Settlement
CC 7876 – Monthly CPM Collective Deficiency Settlement
CC 7877 – Monthly CPM Collective Deficiency Allocation
CC 7880 – Monthly CPM Exceptional Dispatch Settlement
CC 7882 – Monthly CPM Capacity at Risk of Retirement Settlement
CC 7883 – Monthly CPM Capacity at Risk of Retirement Allocation
CC 7884 – Monthly CPM Insufficient Resource Adequacy Resources Settlement
CC 7881 – Monthly CPM Exceptional Dispatch Allocation

Changes to the “Metered Demand Over TAC Area and CPM Pre-Calculation” – Business Rules

- A resource with overlapping CPM and CPM Flex Capacity shall be paid based on the highest MW amount of either designation for the period when the designations overlap (Rule 3.0)

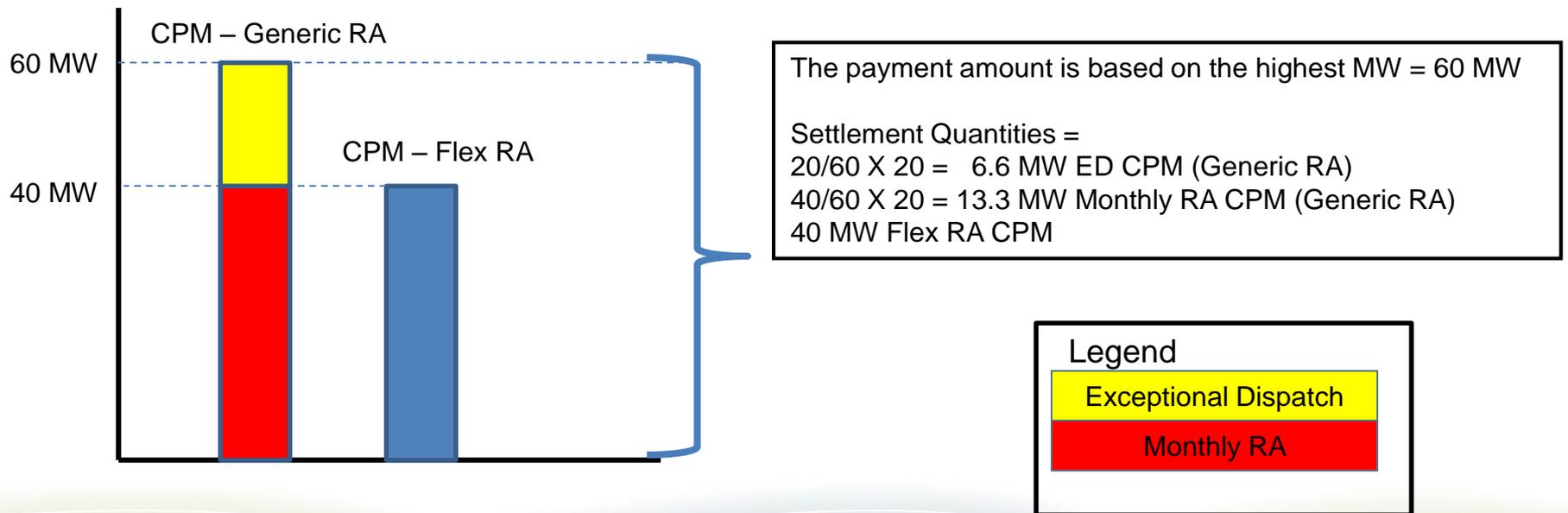


Changes to the “Metered Demand Over TAC Area and CPM Pre-Calculation”- Business Rules (cont'd)

- For overlapping CPM capacity, the resource’s CPM settlement shall be reflected in the Flexible CPM charge code. (Rule 3.1)
 - New charge codes
 - CC 7886 – Monthly CPM Flexible Resource Adequacy Resources Settlement 
 - CC 7887 – Monthly CPM Flexible Resource Adequacy Resources Allocation

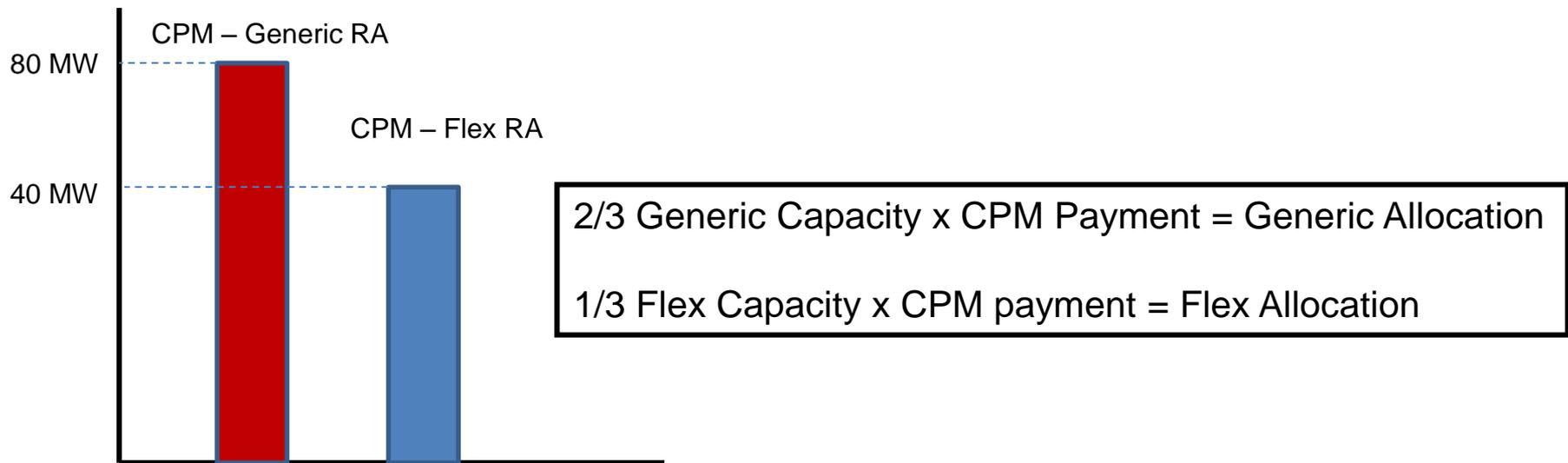
Changes to the “Metered Demand Over TAC Area and CPM Pre-Calculation”- Business Rules (cont'd)

- For a resource with more than two concurrent CPM designations, where one of these designations is for Flexible CPM, the overlapping capacity shall be proportionate to the generic RA CPM designation. (Rule 3.2)



Changes to the “Metered Demand Over TAC Area and CPM Pre-Calculation”- Business Rules (cont'd)

- For a resource with concurrent CPM designations, where one of these designations is for Flexible CPM, the cost allocation shall be proportionate to the deficiency MW from both the generic and flexible resource adequacy capacity. (Rule 4)



New charge code - Monthly CPM Flexible Resource Adequacy Resources Settlement (CC 7886)

- Settlement of CPM capacity that the ISO procures in response to all flex RA CPM designations
- Applies the CPM price
- Provides the total amount of SC payment for flex RA CPM capacity procured during the trade month
- So this would also include overlapping generic CPM capacity

New charge code - Monthly CPM Flexible Resource Adequacy Resources Allocation (CC 7887)

- Allocation of the cost of the CPM capacity procured in the event that an SC fails to demonstrate an annual or monthly RA plan procurement of sufficient flex RA resources to comply with their LSE requirements
- Allocations will be prorated to each LSE based on the proportion of its deficiency to the aggregate deficiency
- Monthly charge

Example – Flex RA Allocation

LSE/SC	Flex Deficiency		Generic RA Deficiency
A	10		0
B	5		80
C	25		0

Total Flex Procurement needed	40	Total RA Procurement needed	80
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CPM Type	MW	CPM Days	Total CPM MW
Insufficient Local Capacity Area Resources in a RA plan	80	10	800
Flexible RA Capacity	40	10	400
			1200

Max CPM MW	80
CPM \$	10
CPM Payment	\$ 800

	Proportionate designation	Allocation Dollars
Flexible RA Capacity Allocation Amount	400/1200	\$ 266.67
Insufficient Local Capacity Area Allocation Amount	800/1200	\$ 533.33

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LSE/SC	Deficiency Allocation	
A	10/40	\$ 66.67
B	5/40	\$ 33.33
C	25/40	\$ 166.67
B	80/80	\$ 533.33

Changes to “RUC No Pay Quantity Pre-Calculation”

- Rescinds RUC capacity payment for resources when one of the following occurs:
 - RUC capacity is availability-limited
 - Undispatchable due to an outage or rerate
 - Is undelivered outside of a tolerance band
 - Ineligible for a RUC award because it is RA capacity (generic or flex)
 - The calculation has been changed so that flex RA capacity will be included

Summary

- CPM designation – minimum commitment term of one month; maximum 1 year.
- Same price for backstop procurement of flexible as the applicable capacity procurement price mechanism.
- Cost for a CPM designation will be allocated to all deficient LSEs within the deficient LRA (unless the LRA has established other rules).
- Simultaneous or overlapping designations - the megawatt amount of the capacity procurement mechanism capacity payments shall be the highest megawatt amount of either designation.

Questions?