



Briefing on participating intermittent resource program protective measures

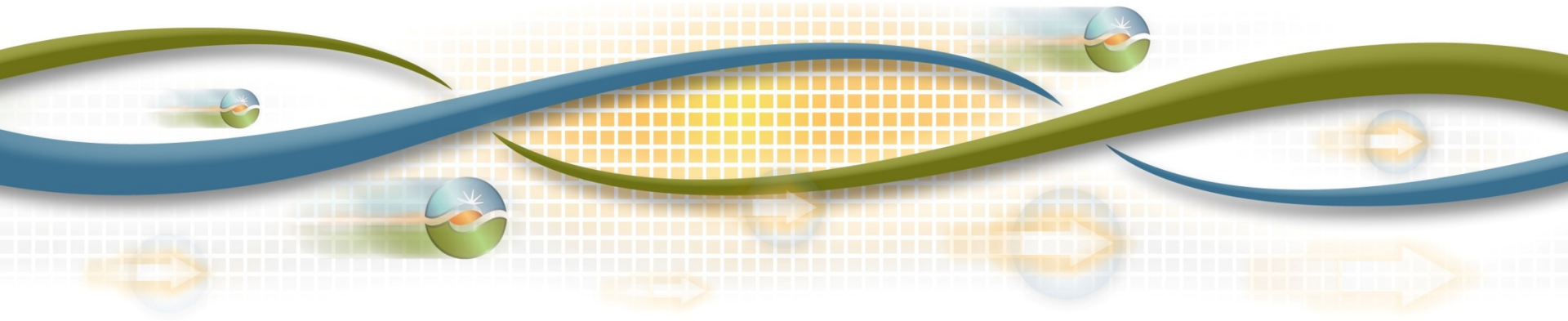
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The Participating Intermittent Resource Program (PIRP) was established in 2002.

- Resource provides necessary meteorological data to enable ISO to develop forecast
- In real-time, SC self-schedules hourly forecast established 90 minute before operating hour
- 5-minute deviations from hourly forecast are netted over a month and settled at monthly average 5-minute price

In June 2012, FERC Order 764 required renewable resources to provide meteorological data and required ISO to offer 15-minute scheduling in real-time

FERC Order 764 market design changes oriented real-time market around renewable resources.

- Introduced 15-minute market and settlement
 - Reduced amount of energy settled at more volatile 5-minute market
- Enabled more granular forecasting closer to actual flow
- Provided ability to use economic bids to determine if dispatched to forecast level

Enabling renewables to balance the system

PIRP protective measures were proposed as a 3 year transitional measure for renewable resources that couldn't take advantage of Order 764 functionality immediately.

To qualify:

1. More than half the resource is old technology that is unable to respond to dispatch instructions without significant investment, or
2. Resource is responsible for real-time energy settlement under their current contract and has no contractual options available to mitigate imbalance energy risk, and
3. During the term of the transition period, the resource owner agrees to seek a long-term PPA and/or take other steps to upgrade the resource so that it can respond to ISO dispatch instructions.

At September 12, 2013 Board meeting, the motion on PIRP protective measures was modified to add...

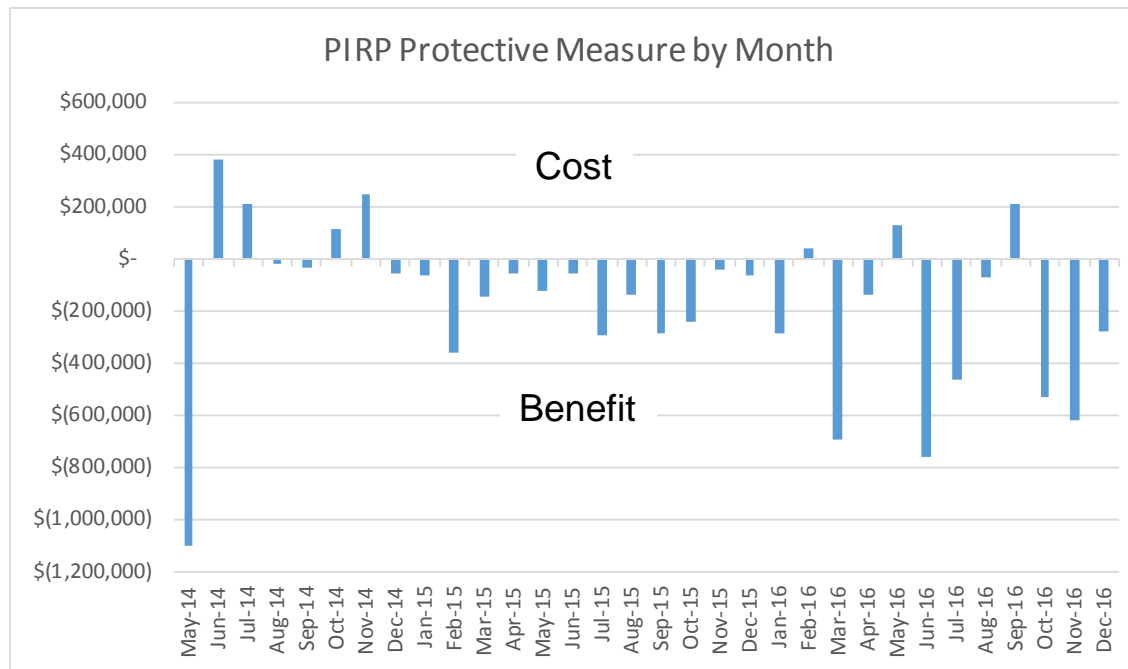
- Management will monitor and report back to the Board semiannually regarding the effect of the protective measure
- Management will evaluate in Spring 2015 whether the protective measure should be extended
- The protective measures will include resources which are contractually prohibited from responding to ISO dispatch signals

Small set of resources currently receiving PIRP protective measures

- 19 resources expressed need for protective measures in 2013 stakeholder process
- 17 resources requested protective measures effective May 2014
- 15 resources were approved for protective measures
- 9 resources currently receiving protective measures
 - 3 physical and contractual basis, 6 contractual only
 - 8 wind resources, 1 solar resource

PIRP protective measures has not been beneficial in all months, but has provided an overall benefit

- Estimated \$5.6M benefit between 5/14 and 12/16
 - 9 resources' benefit ranges from \$10K to \$1,750K



- \$5.6M uplift created is allocated to net negative deviations

Management is taking several steps to prepare for the expiration of the transitional period on May 1, 2017

- Completed: Outreach to the 9 resources currently receiving PIRP protective measures
- Today: Brief Board on status of PIRP protective measures
- February: Stakeholder process to inform Management's recommendation
- March: Board decision on Management's recommendation