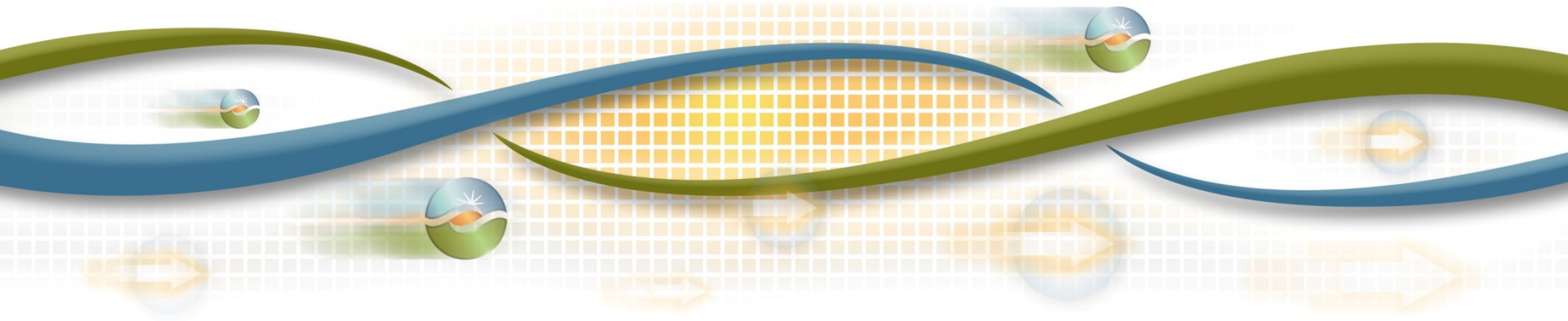


Briefing on Market and Infrastructure Policy Roadmap

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Market and Infrastructure Policy Roadmap Process

- Annual policy development roadmap based on:
 - Strategic plan and market design vision
 - Stakeholder input
 - FERC mandates
 - Resource constraints
- Market and Infrastructure Policy gathers market participant input through annual iterative stakeholder process:
 - Stakeholders suggest initiatives
 - Stakeholders rank complete list of initiatives

Stakeholder input used to rank discretionary market design initiatives.

- Grid reliability and market efficiency benefits weighed against cost estimates
- Stakeholders' highest ranked discretionary market design initiatives:
 1. Real-time congestion cost uplift allocation (i.e., to convergence bids)
 2. Mitigating transient price spikes, real-time imbalance energy offset/real-time congestion offset
 3. Standard capacity product enhancements
 4. Modify resource adequacy replacement rules
 5. Extended pricing mechanism
 6. Eliminate unpriced constraints

Work has already begun on many of the highly ranked initiatives

- Real-time congestion cost uplift allocation
 - Full network model addresses root cause of uplift
- Mitigating transient price spikes, real-time imbalance energy offset / real-time congestion offset
 - Transmission constraint relaxation parameter change
 - FERC Order 764 market changes
 - Flexible ramping product
- Standard capacity product and modify resource adequacy replacement rule initiatives are being addressed in the reliability services Initiative
- Eliminate unpriced constraints
 - Contingency modeling enhancements

Initiatives will facilitate preferred resource participation

- Develop storage interconnection rules
- Enhance rules for preferred resources to participate as resource adequacy resources
- Combine the benefits of the non generator resource model and proxy demand resource into a single demand response product

New policy initiatives planned to start during first quarter of 2014:

- Joint reliability framework
 - Reliability services initiative: Market based procurement mechanism including standard product definitions for system, local and flexible capacity
 - 4-10 year planning assessment
- Flexible ramping product
- Administrative pricing rules
- Generator interconnection deliverability assessment process reassessment (includes IPE Topic 14)

New policy initiatives planned to start during second quarter of 2014:

- Energy imbalance market refinements - local market power mitigation, flow entitlements
- Regulation pay for performance modifications
- Commitment cost enhancements (e.g., gas cost issues)
- Competitive solicitation process enhancements
- Energy storage interconnection

New policy initiatives planned to start during third quarter of 2014:

- Frequency response procurement
- Combined demand response product
- Interconnection process enhancements 2014 - Collect list of issues for 2015 resolution
- Active power control interconnection requirements for variable energy resources
- Stakeholder initiative catalog process

New policy initiatives planned to start during fourth quarter of 2014:

- Marginal loss surplus allocation

If time permits:

- Affected systems
- Blackstart and system restoration capacity procurement
- Transmission interconnection process
- Voltage support

Planned and ongoing market design and infrastructure policy initiatives will provide significant improvements.

- Improve efficiency in resource adequacy procurement through a market based procurement mechanism in the reliability services initiative
- Enhance ISO market to effectively value resource attributes needed to maintain reliable grid operations
- Enhance generator interconnection process