# Commitment Costs Refinements 2012 – Overview

- Registered cost option cap for start-up and minimum load costs
- Greenhouse gas allowance costs
- Operational flow order costs
- Grid management charge costs
- Major maintenance adder
- Multi-stage generating units' transition costs

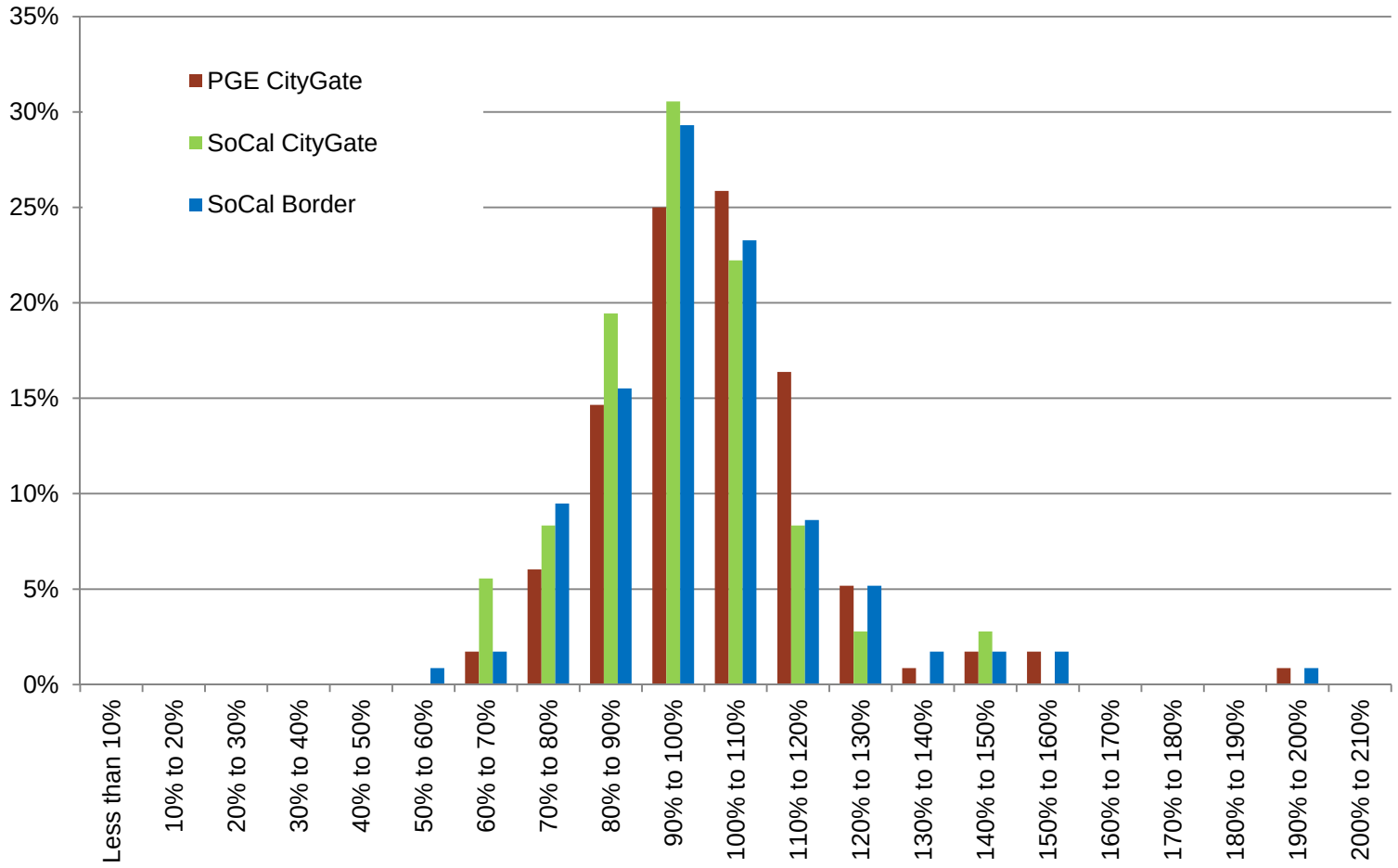
Note that the scope will extend to consider other cost-based calculations (DEB, generated bids)

# Registered cost option changes

- The cap on the registered cost option for either start-up or minimum load is equal to 200% of the resource's calculated SU and/or MLC
- The 200% cap was established
  - Enable recovery of costs not captured in the proxy cost calculation
  - To account for potential fuel price volatility
- 200% cap served as a mechanism and incentive for market behavior that inflated BCR uplift payments
- Enhancements to the proxy cost option will likely reduce the need to use the registered cost option and allow for a lower cap

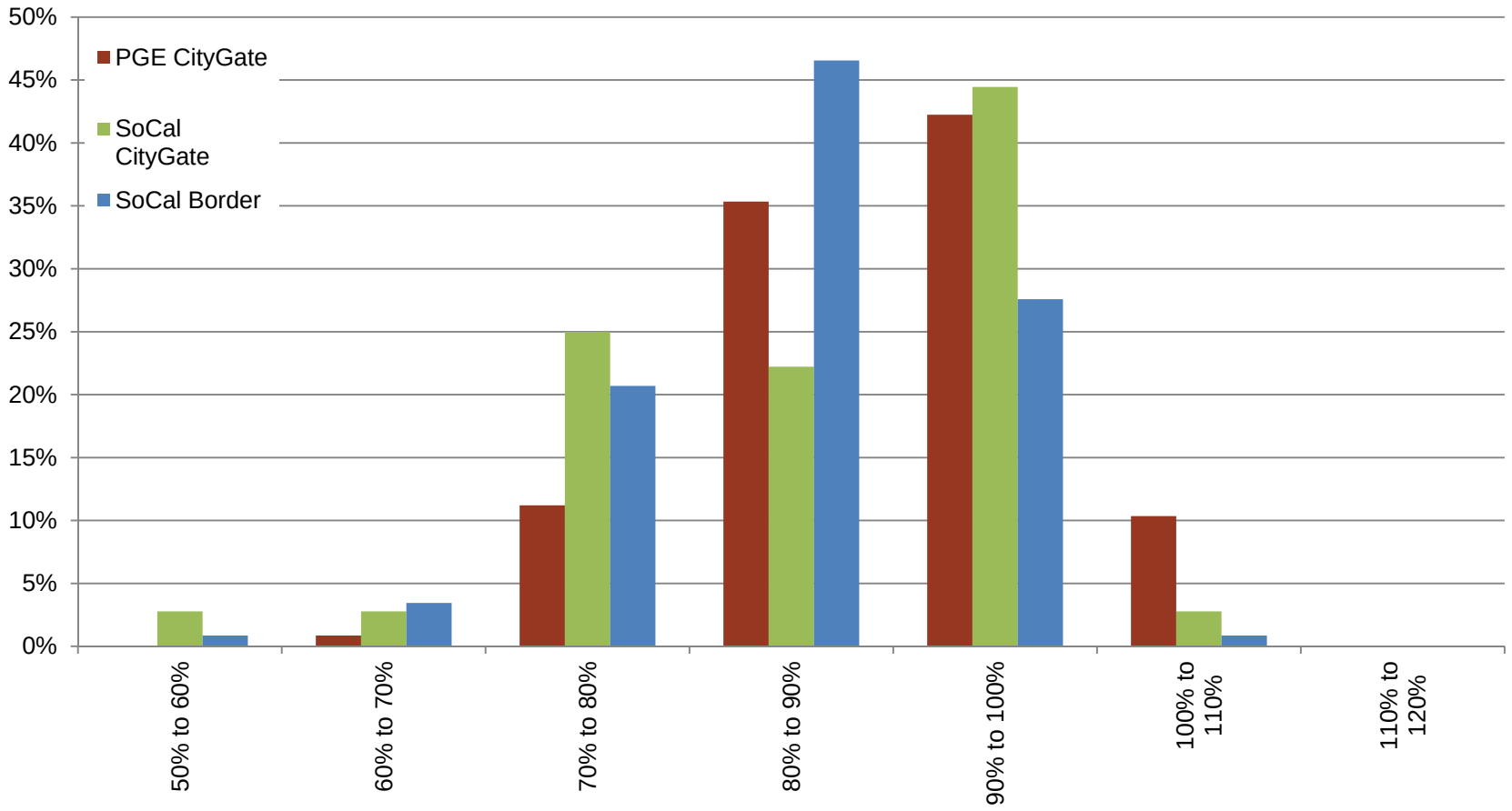
# Frequency of maximum spot as a % of futures price

## January 2002 – August 2011



# Frequency of average spot as a % of futures price

## January 2002 – August 2011



# ISO proposal – registered cost option cap

- The ISO proposes that the registered cost cap be set at 125% of the calculated proxy cost option

- Stakeholder concerns include
  - Proposed cap does not enable sufficient cost recovery
  - 125% does not account for intra-day fuel price volatility
  - Specific circumstances: resources with low capacity factors and those that are exceptionally dispatched

# ISO proposal – GHG costs

- Include greenhouse gas allowance costs
  - as a per MWh incremental cost for energy and ML energy costs
  - as a per event cost for start-up costs

allowance cost =
incremental emissions * cost of incremental emissions

# ISO proposal – OFO costs

- OFO penalties will be recoverable in the following cases:
  - Exceptional dispatch
  - Real-time ISO commitment
  - Cases of bid mitigation

- OFO penalties are daily, and are thus not a marginal, so they will be considered a cost over the course of the day in the RT BCR calculation

- The ISO proposes to treat recovery of NOx and SOx emissions penalties similarly

# ISO proposal – GMC costs

- The ISO proposes to include the volumetric elements of the GMC into cost-based calculations
- The ISO proposes to include in those calculations the following elements of the GMC calculation
  - Market Services
  - System Operations
  - $0.005/ bid segment charge.
- The ISO does not propose to include administrative fees in any of the cost-based calculations mentioned above.

# ISO proposal – major maintenance costs

- A major maintenance adder should be included in cost-based calculations
- Potomac Economics is providing a methodology paper for developing of resource-specific major maintenance costs

# ISO proposal – transition cost changes

- Required MSG registration required for certain types of generating resources was recently approved
- Many resources impacted by this have not been through market simulation
- Increased participation will reveal what costs are not being captured under the existing rules
- The ISO proposes that changes to the specification of transition costs is premature at this point