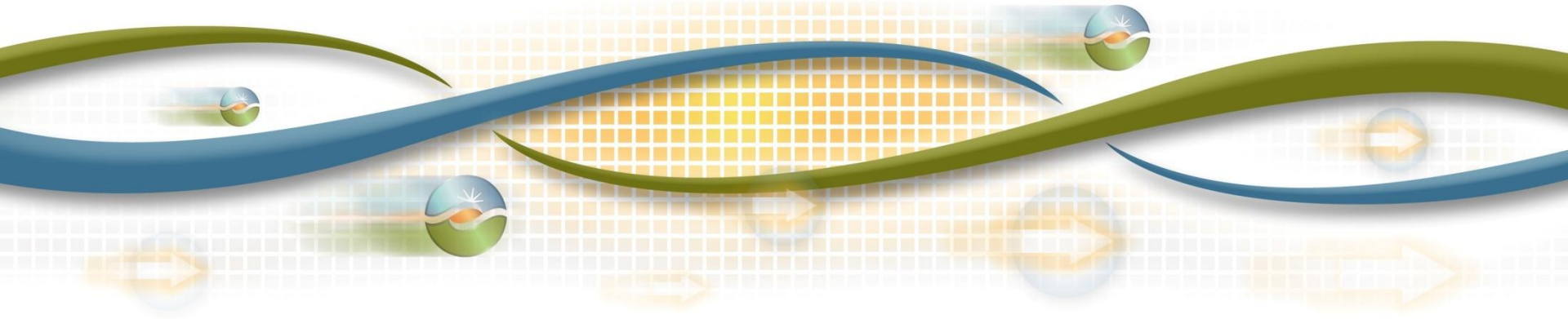


Ancillary Services Forced Buy Back: Straw Proposal

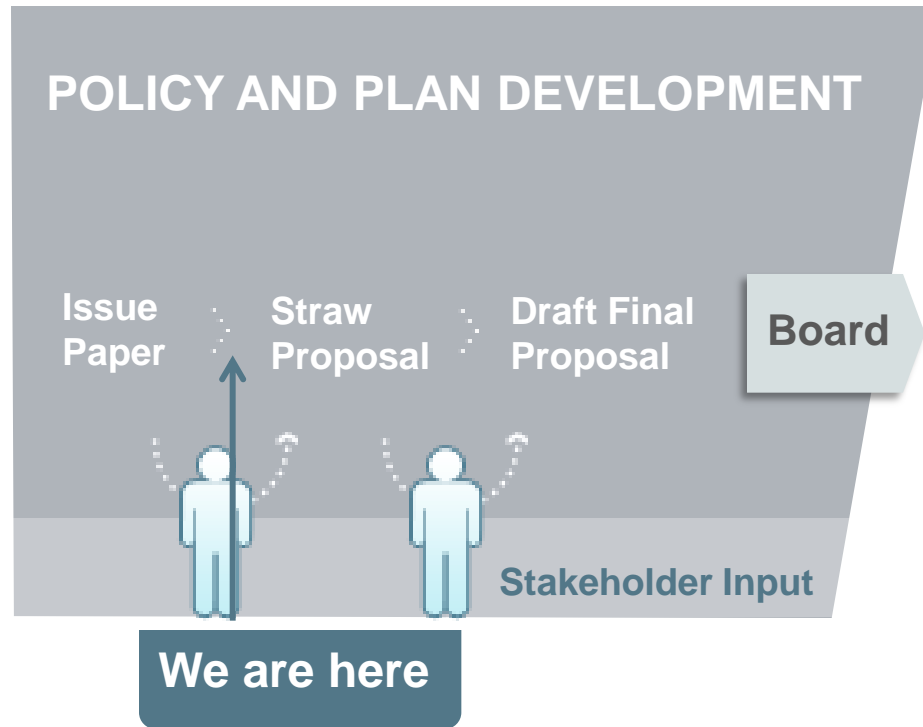
Justin Wong, M.B.A.

Market Settlement Design and Configuration

April 25, 2012



ISO Policy Initiative Stakeholder Process



Agenda

Time	Topic	Presenter
1:00 – 1:15	Introduction	Mercy P. Helget
1:15 – 1:40	Forced Ancillary Service Buy Back	Justin Wong
1:40 – 1:50	Straw Proposal	Justin Wong
1:50 – 2:00	Next Steps	Mercy P. Helget

Forced Ancillary Service Buy Back

- Reduction of day-ahead ancillary service awards and self provision due to:
 - Transmission constraint
 - Economic energy dispatch
 - Resource outage
 - P-max de-rate
 - Ramping constraint

Rescission of payments for ancillary service capacity

- Rescission is based upon the ability to provide AS capacity, as obligated through AS schedules, during the settlement interval.
- Forced buy back capacity disqualifies the unit's obligation to provide the ancillary service it had previously been awarded.

Settlement Example

- Comparison of ISO settlement when a unit's AS capacity is subjected to a force buy back.

- AS Award
100 MW

- AS Price
DA – 3\$
RT – 10\$

	Unit A	Unit B
DA AS Capacity Award (MW)	100	100
DA AS Capacity Price (\$/MW)	3	3
DA AS Settlement (\$)	300	300
RT AS Incremental Award (MW)	0	0
AS Forced Buy Back (MW)	0	20
RT AS Price (\$/MW)	10	10
RT AS Settlement (\$)	0	0
Final AS Award (MW)	100	80
Available AS Capacity	0	0
No Pay Quantity (MW)	100	80
No Pay Price (\$/MW)	3	3
No Pay Rescission	300	240
Total Payment	300	300
No Pay Rescission	300	240
Net Settlement	0	60

Forced AS buy back impact

Year	AS Cost		AS Buy Back	% Reduction of DA AS Cost
	DA	RT		
2010	\$ 67,983,905.30	\$ 7,827,432.20	\$ 2,573,943.84	3.79%
2011	\$ 97,811,377.50	\$ 9,660,109.69	\$ 5,923,700.23	6.06%
Grand Total	\$ 165,795,282.80	\$ 17,487,541.90	\$ 8,497,644.07	5.13%

Proposal

- Modify the ISO tariff to state that ancillary service capacity subject to forced buy backs shall have its associated capacity payments rescinded.
- New settlement rescission rule to be effective on the implementation trade date moving forward.
- Forced buy back capacity shall be applied to AS capacity awards before reducing AS self provision.

Next Steps

Item	Date
Post Straw Proposal	April 18, 2012
Stakeholder Conference Call	April 25, 2012
Stakeholder Comments Due	May 2, 2012
Post Draft Final Proposal	May 23, 2012
Stakeholder Conference Call	May 30, 2012
Stakeholder Comments Due	June 6, 2012
Board Meeting	July 12/13, 2012