

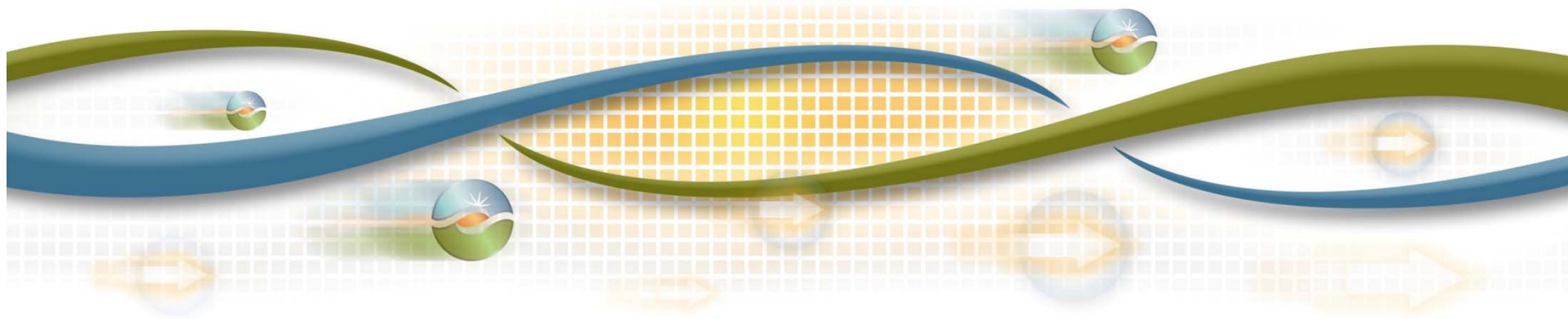
Flexible Capacity Procurement: Risk of Retirement

MSC Meeting

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ISO is seeking MSC input on three key topics

- Compensation formula
- Compensation options
- Obligation of resources after designation

ISO currently working to select from four options for compensation formula

- ISO current proposal that covers costs with 10% cost adder and clawback actual net market revenues
- DMM option that covers costs and allows the resource to keep some portion of actual net market revenues
- DMM option that does an upfront assessment of expected net market revenues and bases compensation based on costs – expected net market revenues
- DMM option that does an upfront assessment of expected net market revenues using net revenues from a proxy resource given actual market prices during the year and bases compensation based on costs – expected net market revenues of the proxy resource

ISO working to determine which compensation option(s) are appropriate

- Current ISO proposal has two options:
 - Going forward costs
 - Costs to place the resource into long-term standby
- Several stakeholders, as well as the DMM, have recommended eliminating the long-term standby option

ISO is attempting to determine the appropriate obligation(s) of resources after designation

- Current ISO proposal includes single year, cost-based, designation
 - No additional obligation that the resource remain available until the year of demonstrated need
- Many stakeholders have sought additional assurances and/or obligations for resources given designations such that resources cannot receive compensation but retire prior to the year of need
 - Some have suggested one-way ISO option