Bilateral-Residual Forward Capacity Market Structure

IMAPP Meeting - Westborough, MA

January 25, 2017

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Objectives of Proposal

- Preserve as much of current FCA structure as possible.
- Assure that resources procured for state policies are reflected in quantity of resources procured for resource adequacy.
- Align capacity market benefits of state policy resources with those paying for such resources.
- Produce reasonable prices for the total quantity procured based on appropriate point on the demand curve.

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Approach

- Build upon the existing “self-supply” provisions of the Forward Capacity Market.
  - Certified Load Asset Resources (CLAR) are resources with bilateral arrangements between a Load Asset Owner (LAO) and a resource's lead participant.
  - CLARs will not recieve a base FCM payment.
    - CLARs would rely on contract payments plus non-FCM market revenues.
  - The LAO's Capacity Load Obligation will be reduced by the certified capacity value of the CLAR.

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CLAR Requirements

- CLARs must go through the certification process like all other resources.
  - CLARs could be either New Resources or Existing Resources.
  - Both the LAO and the resource's lead participant would need to certify CLAR treatment.
  - CLARs would be subject to the same performance requirements as other capacity resources.
    - Includes PFP penalties.

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Treatment of CLARs in FCA

- Once certified and accepted by ISO, CLARs would automatically be cleared at their full qualified capacity.
  - CLARs that have not previously cleared in a primary FCA would be subject to the existing MOPR provisions for determining their location on the FCA supply curve.
    - The Proxy Price for new CLARs will be set at the applicable ORTP, unless the LAO can demonstrate that its contract price is lower than the applicable ORTP.
  - CLARs that have cleared in prior FCAs will be treated like any other Existing Resource.

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FCA Settlement Considerations

- The total quantity procurred (Q_{Total}) and the FCA Clearing Price (P_{Final}) will be determined based on the intersection of the supply curve (including CLAR Proxy Prices) and the demand curve.
  - If any CLARs have a proxy price gretaer than P_{Final}, the sum of the CLAR capacity and the quantity of Non-CLAR resources will exceed Q_{Total}.
    - The final Capacity Supply Obligation (CSO) of the Non-CLAR resources will be reduced proportionally such that the sum of the CLAR capacity plus the Non-CLAR capacity equals Q_{Total}.

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FCA Settlement Example

Assumptions

Q_{Total} = 35,500 MW

P_{Final} = $ 6.44 per kW-month

Total Q_{CLAR} = 6,000 MW

Total $Q_{CLAR\ above\ P_{Final}}$ = 2,000 MW *(Equals In-Betweens)*

Total $Q_{Non\text{-}CLAR}$ = 35,500 MW - (6,000 MW - 2,000 MW)

= 31,500 MW

Calculations for a 100 MW Non-CLAR

CSO = 100 MW * [(31,500 MW - 2,000 MW)/31,500 MW]

= 93.65 MW *(Would be paid $ 6.44 per kW-month.)*

Load Settlement Considerations

- LAOs will be required to “link” the CSO of their CLARs with the ICAP Tags of their respective Load Assets.
- ISO settlement needs to recognize this linkage between CLARs and ICAP Tags when the ICAP Tags get transferred.
- The Capacity Load Obligation of retail load suppliers will be reduced by the allocated share of CLAR capacity.

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Questions and Considerations

- A concern has been raised that if the amount of CLAR capacity with a price above P_{Final} gets too large, it may impact bidding incentives for new Non-CLARs.
  - Should there be a limit on the amount of such CLAR resources?
  - If so, how should any limits be determined?
    - % of LAO's Capacity Load Obligation?
    - Overall MW Cap?
    - Impact test?
    - Other?

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Questions and Considerations (cont)

- Zonal settlement implications where CLAR is in a different capacity zone than the associated load.
  - Use a CTR-type construct to reflect zonal price differences?
- Should there be a minimum number of years for CLAR treatment for a New Resource?
  - What term would be appropriate?
- Other issues?

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Questions?

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