

IQWG Strawman



Presented by Bob Stein

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The Goal

- One Queue for the:
 - Forward Capacity Market (FCM)
 - Interconnection Studies for resources that elect to participate in the FCM

Objectives

- Changes to the FCM and Interconnection Queues that:
 - Are consistent with FERC orders
 - Incorporate Intrazonal deliverability into Interconnection studies for capacity resources
 - Allow for continuation of the Minimum Interconnection Standard (MIS) for energy only resources

Proposed Changes

- Modify the existing Queue for Interconnection Studies
 - Resources must elect to be energy only or eligible to be capacity resources
 - Those that elect to be capacity resources will be studied for intra-zonal deliverability requirements
 - Energy only resources studies will continue to use the MIS
- Use the existing Queue in the FCM
 - Include only those that elect the capacity option
- Establish stricter requirements to remain in the Queue

Why Change?

- The current and proposed methodologies result in two Queues
 - The Interconnection Queue remains static
 - The FCM Queue changes as new resources become existing from auction to auction
- The result is development uncertainty
 - Particularly for long lead-time resources

Issues with Current FCM Queue

- Resources that clear in FCA_x become existing in FCA_{x+1}
 - The effect is that they can “jump” ahead of resources with better a Queue position in the FCM
 - The Interconnection Queue that defines the MIS upgrades required doesn't change
 - The FCM Queue defines transmission requirements to be deliverable in the FCM and can change year to year

Example 1—Current FCM Rules

- Resource 1 has queue position 1
- Resource 2 has queue position 2
- Both qualify in FCA_x but overlap
 - Only Resource 1 is allowed into FCA_x
- In succeeding FCA auctions, Resource 1 is existing and Resource 2 is blocked from participating in the FCM or must add transmission upgrades

Example 2 --Current FCM Rules

- Resource 1 does not participate in $FCAX$
- Resource 2 qualifies and clears in $FCAX$
- In $FCAX+1$ Resource 2 is existing
 - Resource 1 overlaps Resource 2 and is responsible for upgrades in order to participate in the FCM
 - Resource 2 is responsible for upgrades required under the MIS with Resource 1 studied ahead of it

Example 2—Using the Proposed ISO FCA Changes

- The same outcome as under current rules but the Queue “jumping” occurs within an auction
 - Both Resource 1 and 2 are allowed to conditionally qualify
 - If Resource 1 falls out of the bidding and resource 2 clears
 - Resource 2 “jumps” 1 in the FCM Queue
 - Cost responsibility is unchanged from current rules

Development Issues under Both Existing and Proposed Rules

- Resources do not have certainty as to who they must evaluate for potential overlapping impacts
 - This creates an incentive to qualify early to become existing
 - The incentive is to “jump” longer lead time resources or more economic projects that are earlier in their development cycle to create certainty as to project costs

Straw Proposal

- Use the Interconnection Queue in both FCM and Interconnection studies
 - In the FCM, only resources electing to qualify as capacity will be studied
- Resources that overlap will be allowed to compete in FCAs
 - Responsibility for FCM upgrades will stay fixed in Queue order
 - Resolving overlaps becomes the responsibility of the developer

Example 1 Under Straw Proposal

- Resources 1 and 2 overlap and compete on price in $FCAX$
- Resource 2 clears, Resource 1 does not clear
- In $FCAX+1$ Resource 1 clears
 - Resource 2 is responsible for the upgrades that will allow both 1 and 2 to deliver capacity in FCM yr $x+1$
- If Resource 1 never clears, Resource 2 need not build the upgrades

Example 2 Under Straw Proposal

- Resources 1 and 2 overlap and compete on price in FCA_x
- Both resources clear
- Resource 2 is responsible for identified upgrades

Will the Straw Proposal Cause Reliability Problems ?

- No
- Using the Previous Examples
 - If both 1 and 2 clear and Resource 2 fails to complete the upgrades required for 1 to deliver capacity:
 - Both receive capacity payments and compete in the energy market
 - Resource 2 will not be allowed to be a capacity resource and must cover its obligations until the upgrades are complete
 - The outcome is the same as for a resource that fails to come on line when scheduled, or has a major forced outage

What Problems are Solved?

- Property Rights are fixed
 - Developers assume the risk that a resource with a better Queue position will be built
 - They can never be “jumped” in the Queue
 - Particularly valuable for long lead-time resources
 - Resources with worse Queue positions may benefit from upgrades built by resources earlier in the Queue
- FCM and Interconnection studies will be synchronized
 - Developers can use their Interconnection studies to analyze their qualification as a capacity resource

What Problems are Created?

- Overlapping studies in the FCM must study all resources
 - Currently only those that qualify are studied

I wish I had a brain

