

# FCM Zone / TSA / Reliability Review Reform Discussion

FCM Working Group  
31 August 2009

# Background

- The ISO is working with the Reliability Committee to establish technical/ reliability-based criteria to govern the creation and elimination of ***Capacity Zones***.
- Incorporation of the findings of the Reliability Committee and development of other design enhancements will be discussed and vetted through the FCM Working Group.
- The goal is a FERC filing in February of 2010.

# Overview

- The work falls into two broad categories:
  - Conforming changes to the rules to incorporate the recommendations of the Reliability Committee.
  - Further design changes regarding zones etc. that enhance the expected performance of the FCM.
- To motivate discussion the ISO offered the following conceptual design framework.
- The ISO presented the conceptual design framework for discussion at the 10 August Markets Committee

# Conceptual Design Elements

- Establish **Capacity Zones** prior to each auction
  - The rules of zone definition should consider market scope, expected transmission configuration, load growth, generation additions and retirements, other operational constraints and concerns.
  - There may be limits on the lifespan of a zone, e.g., once created a Capacity Zone must be modeled for at least five years.
- Persist **Capacity Zones** for all market purposes
  - **Consequence:** A zone used in the auction will be modeled and used in reconfiguration auctions and bilateral reliability review

# Conceptual Design Elements (cont'd)

- Establish zonal requirements such that if sufficient resources exist or are offered into a zone, all surplus can delist on price.
- CAVEATS
  - FCA is not intended to purchase capacity that addresses all possible sub-zonal needs in the operational timeframe.
    - **Consequence:** while in aggregate there will be sufficient capacity within any zone, not all capacity within a given zone may be allowed to trade obligations with other capacity in that zone under all conditions.
  - There may be restrictions to address market power concerns if market concentration is an issue.

# Conceptual Design Elements (cont'd)

- Capacity “*procurement*” Zones do not have to match cost allocation zones
  - **Consequence:** A Capacity Zone may logically be defined in terms of transmission interfaces and resulting constraints. Capacity cost allocation zones may respect TO service territories or political boundaries.

# Some Questions Raised at the MC

- What, if any is the relationship among the zones used in the RSP, the RC zones under development, and the zones that should be used for market purposes?
- How frequently should zones be allowed to change?
- How, if at all, will the market mitigation provisions be impacted by changes to zones, etc.?
- What are the impacts on cost allocation?
- Should TSA issues be addressed through a modified FRM rather than through the FCM?

# Discussion