

Out-of-Market Resources

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October 9, 2009

Why Determine Whether A Resources Is Out Of Market ?

- The FCM design assumed that the price from the FCA is the cost of new entry
- If the price does not represent the actual cost of building the resource or of implementing the demand side measure the price does not reflect the cost of new entry
- The determination of whether a resource is in market or out of market is intended to assure that the FCA price represents the cost of new entry
- Out-of-market resources are not prevented from staying in the auction, but may cause an adjustment to the FCA price

Basis for IMMU Review

Market Rule 1 provides the basic framework for our review:

Capacity Resources Other Than Demand

Section III.13.1.1.2.6: IMMU shall determine whether the offer is consistent with the long-run average costs of that resource net of expected net revenues other than capacity revenues. ... IMMU shall consider whether any contract revenues relied on by the New Generating Capacity Resource reasonably represent the market price for the non-capacity products or services provided. If IMMU determines that the offer is not consistent with long-run average costs net of expected net revenues, as described above, then the amount of capacity clearing from that offer shall be considered Out-of-Market Capacity for purposes of determining the applicability of the alternative price rule.

Basis for IMMU Review

Demand Resources

Section III.13.1.4.2.4(b): IMMU shall determine whether the offer is consistent with the long-run average costs of that resource net of expected net revenues for its Demand Reduction Value other than capacity revenues.... IMMU shall consider whether any contract revenues relied on by the New Demand Resource reasonably represent the market price for the non-capacity products or services provided. If IMMU determines that the offer is not consistent with the long run average costs net of expected net revenues for its Demand Reduction Value other than capacity revenue, as described above, then the amount of capacity clearing from that offer shall be considered Out-of-Market Capacity for purposes of determining the applicability of the Alternative Capacity Price Rule.... The long run average cost of a New Demand Resource shall be that resource's total cost (including opportunity costs, as appropriate) minus the customer's avoided electric charge at the point of delivery, on a levelized net present value basis over the resource's Measure Life.

How to determine if a resource is OOM ?

- The rules are very high level
- More details in the rule may be helpful
- The Internal Market Monitor would be available to work on adding detail to the rules

Summary of Out-of-Market resources

Capacity - Megawatts

Auction	Type of Resource	Generation	Demand resources	Import	Total
FCA #1 - Auction Results	New cleared	40	860	0	900
	In-market	0	860	0	860
	Out-of-market	40	0	0	40
FCA #2 - Auction Results	New cleared	1,157	448	1,529	3,134
	In-market	37	298	1,529	1,864
	Out-of-market	1,120	150	0	1,270
FCA #3 - Reported in the Informational Filing	<i>New .75 CONE</i>	<i>2,746</i>	<i>480</i>	<i>2,420</i>	<i>5,646</i>
	Accepted - in market	1,123	190	2,420	3,733
	Denied - Out-of-market	1,623	290	0	1,913

NOTES:

1. Represents values reported in the informational filing. The final auction results are not yet available.
2. As found in the Market Monitors Report on the performance of FCA #1 & #2:

Table 4-5: New, Cleared In-Market and Out-Of-Market Capacity, FCA #1 and #2