

Final Draft
Intermittent Resource Capacity Treatment in Forward Capacity Auction
Revision: 1 (06/12/06)

Purpose: To establish a distinct method to determine the Qualified Capacity MW value of intermittent resources in the Forward Capacity Auction (“FCA”)

Background: The FCA requires that potential capacity resources (Existing or New) must submit qualification information no later than the qualification deadline in order to receive Qualified Capacity MW credit for their capacity resource. The Settlement Agreement, dated March 6, 2006, directed that a method should be developed to determine the Qualified Capacity MW value of intermittent resources in a manner that recognizes contribution to system reliability over the winter and summer periods. The method needs to be developed by the fourth quarter of 2006. In addition, because these resources are exempt from availability penalties and/or the poor performing resource treatment imposed on all other capacity resources, the method should consider how to address poorly performing intermittent resources. Intermittent resources include wind, solar, and run-of-river hydro. The Market Rules should address how intermittent resources will be defined as New Capacity in the FCA.

Discussion: The FCA should allow intermittent capacity (“IC”) resources to submit Qualified Capacity MW offers during the primary and reconfiguration auctions *in the same manner* as all other potential capacity resources, which are set equal to their Summer Seasonal Claimed Capability. IC resources will not be subject to the application of an Availability Metric as applied to all other Qualified Capacity MW resources. A suggested method to derive an amount of Qualified Capacity MW that can be offered by an IC resource through the FCA primary or reconfiguration auctions could be as follows;

Winter Period Qualified Capacity MW value = *The IC resources median amount (MW) of interconnected hourly generation flow during the Winter Period Reliability Hours over the previous 8 month winter period (Oct-May). The Winter Period Reliability Hours will consist of <to be determined> during the period plus any hours when the ISO has declared a Shortage Hour event. This value will be averaged over a rolling <to be determined> period.*

Summer Period Qualified Capacity MW value= *The IC resources median amount (MW) of interconnected hourly generation flow during the Summer Period reliability Hours over the previous 4 month summer period (June-Sept). The Summer Period Reliability Hours will consist of <to be determined> during the period plus any hours when the ISO has declared a Shortage Hour event. This value will be averaged over a rolling <to be determined>-year period.*

Treatment of New Intermittent Capacity Resources: Parties would be free to specify the appropriate level of Qualified Capacity MW credit for a New IC resource for qualification in the FCA, up to the proposed intermittent capacity resource's nameplate capacity. As part of the qualification process, a new intermittent capacity resource must demonstrate it has measured and recorded applicable site specific data be it wind speed, water flow and/or irradiance values when it submits its qualification package to participate in the FCA. This data, and to the extent needed, any similar data provided as part of the intermittent capacity resource's qualification package will be used in conjunction with the resource's physical design characteristics to establish its Qualified Capacity MW value for its initial Commitment Period.

Intermittent capacity resources shall be treated the same as any other capacity resource that clears in an FCA or a reconfiguration auction. All suppliers of new capacity resources must satisfy the milestone requirements established during the qualification process. In order to receive capacity payments during the Commitment Period new intermittent capacity resources must have been declared commercial and tested for its capacity rating. New intermittent capacity resources will have an additional milestone requirement during qualification of proving its Qualified Capacity MW value during its Commitment Period using actual data as it becomes available. It shall lose its awarded Qualified Capacity MW value to the extent not provided and shall forfeit any financial assurance previously provided by it with respect to that award during its Commitment Period. In the event that the Qualified Capacity MW value of an intermittent capacity resource is less than the amount awarded in the FCA, the ISO may make up any shortfall through the next appropriate reconfiguration auction.