

# ***A Proposal for the Allocation of Real-Time Local Second Contingency Protection Resource NCPC Charges***

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NEPOOL Second Contingency Commitment Cost Allocation Working Group  
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# ***Current Provisions of Market Rule 1:***

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- ◆ **“Local Second Contingency Protection Resource”** is defined in Section III.6.1 of this Market Rule.
  - ◆ **“III.6.1 Definition.** “Local Second Contingency Protection Resources” are those Resources identified by the ISO on a daily basis as necessary for the provision of Operating Reserve requirements and adherence to NERC, NPCC and ISO reliability criteria over and above those Resources required to meet first contingency reliability criteria within a Reliability Region.”

## ***Current Provisions of Market Rule 1: (Continued)***

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- ◆ **“Net Commitment Period Compensation” or “NCPC”** is the compensation methodology for Resources that is described in Appendix F to this Market Rule 1.
- ◆ **“NCPC Charge”** means the charges to Market Participants as provided in Section III.3.2.3, Section III.6.4 and Appendix F.
- ◆ **“III.6.4 Local Second Contingency Protection Resource NCPC Charges.”**
  - ◆ **III.6.4.4 (c)**

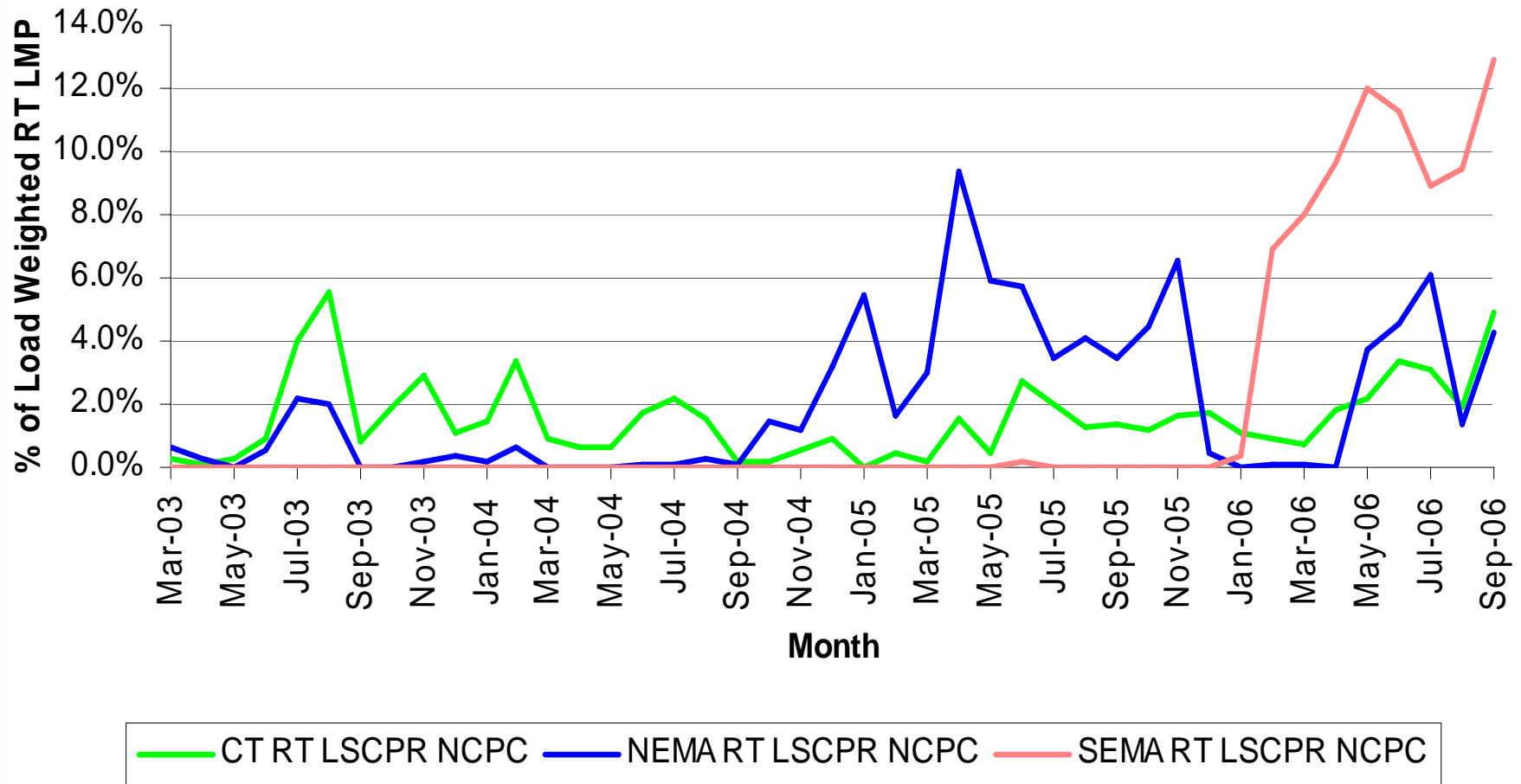
“The Real-Time NCPC Credits ... for Local Second Contingency Protection Resources are aggregated into an NCPC Charge and charged to each Market Participant in proportion to the sum of its Real-Time Load Obligations in MWhs during the Operating Day within the affected Reliability Region. ...”

# ***A Proposed Prospective Modification of the Current Provisions of MR1:***

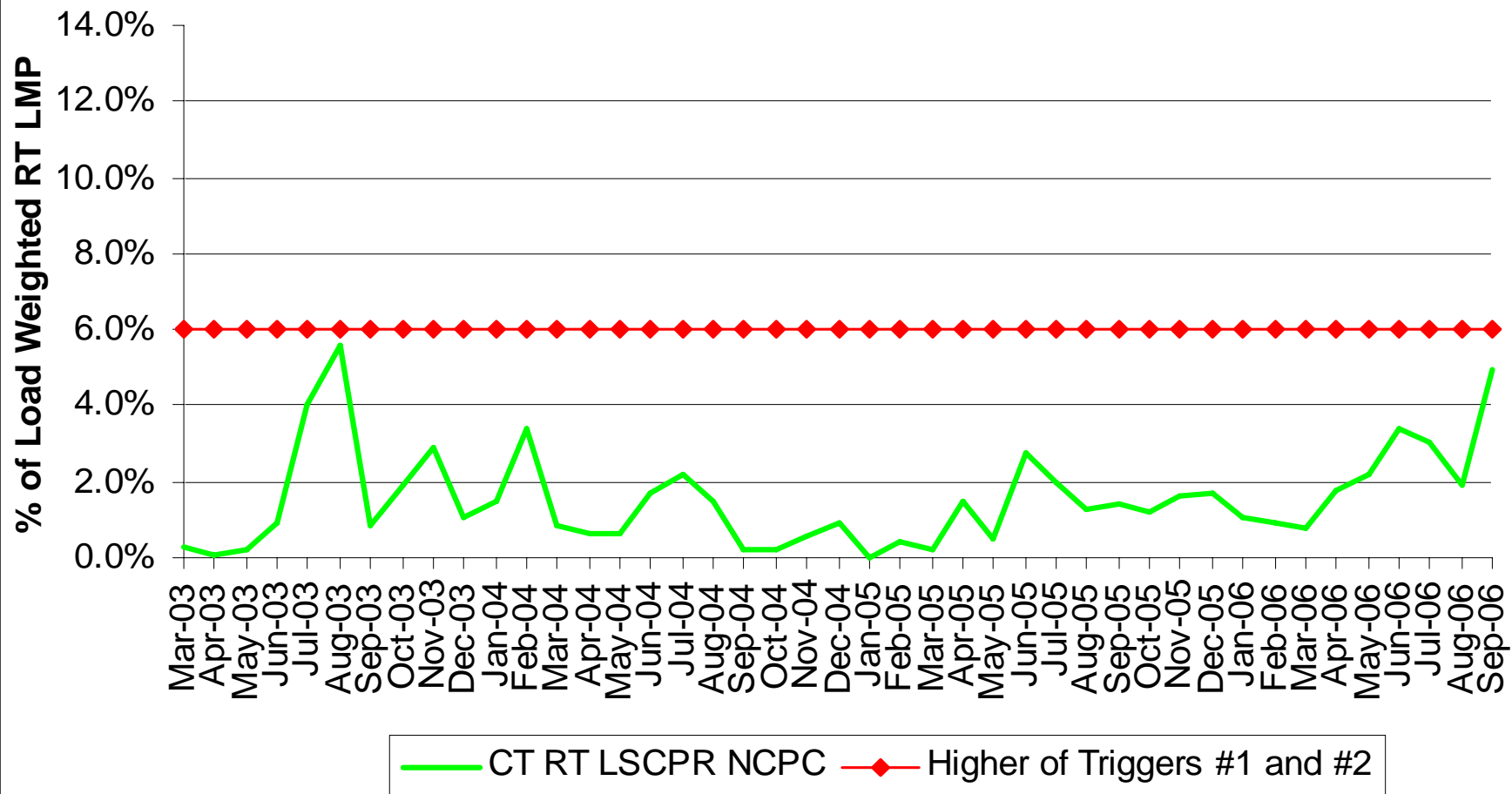
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- ◆ Amendments to the Market Rules that continue the current allocation (i.e., RTLO within the affected Reliability Region), but provide that (1) entities responsible for paying Real-Time NCPC Charges for LSCPR in a Reliability Region will be reimbursed a portion of such Real-Time NCPC Charges if and to the extent the amounts for the month exceed both of the two triggers set forth below, and that (2) the reimbursement will be equal to the amount of Real-Time NCPC Charges for LSCPR for the Reliability Region for the month above the level equal to the higher of the two triggers:
  - ◆ i. The total Real-Time NCPC Charges for LSCPR in a Reliability Region for the month exceed 6% of the Load Weighted Real-Time LMP in that Reliability Region for the month (Trigger #1); and
  - ◆ ii. The total Real-Time NCPC Charges for LSCPR in a Reliability Region for the month, expressed as a percent of the Load Weighted Real-Time LMP in the Reliability Region for the month, exceed 200% of the average total Real-Time NCPC Charges for LSCPR in that Reliability Region for the immediate prior twelve months (again expressed as a percent of the Load Weighted Real-Time LMP) (Trigger #2).
- ◆ Any Real-Time NCPC Charges for LSCPR in a Reliability Region for the month in excess of the triggers identified above shall be allocated to Network Load in the affected Reliability Region.
- ◆ Reports and/or Stakeholder Meetings required when triggers reached

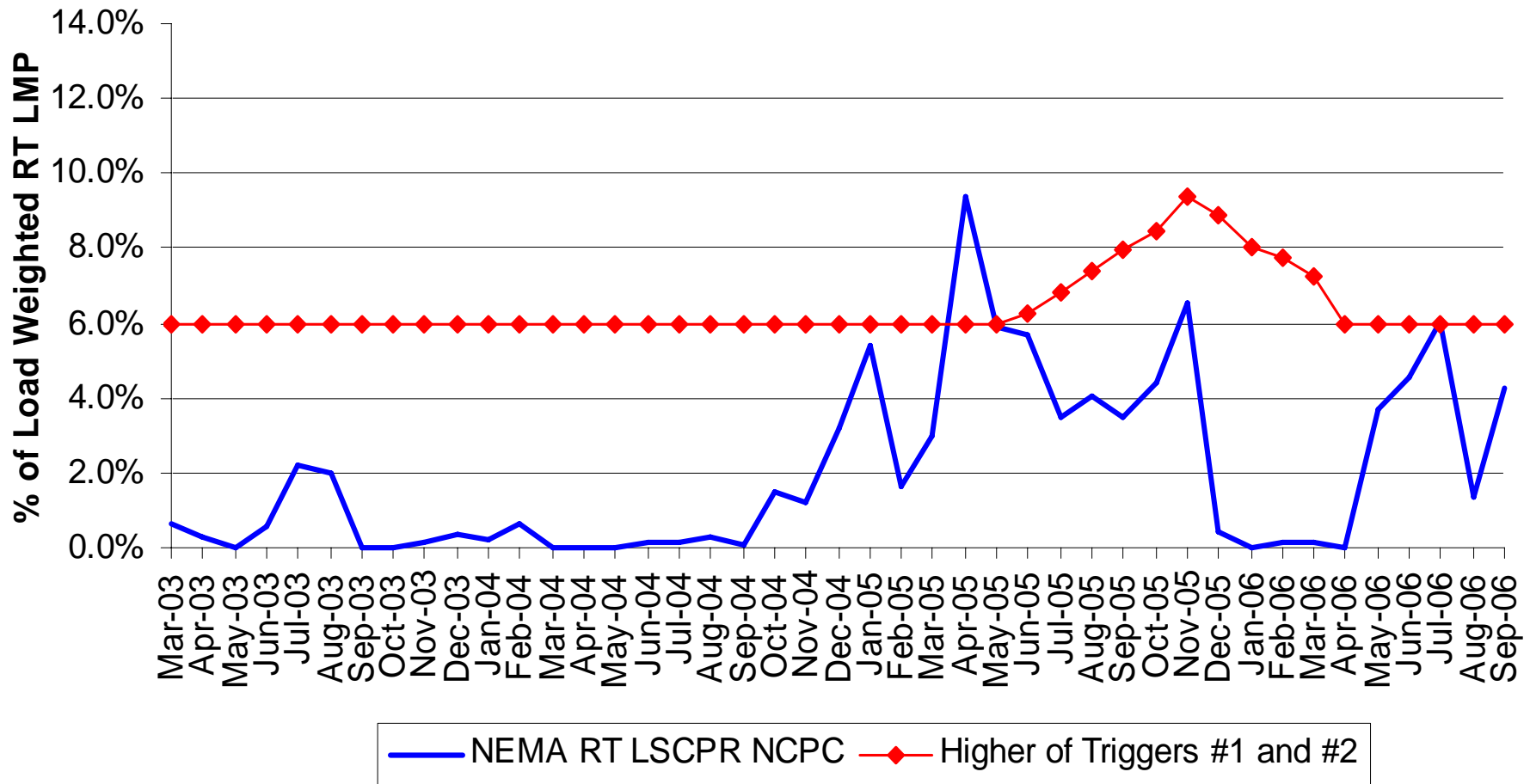
## Real-Time LSCPR NCPC Charges



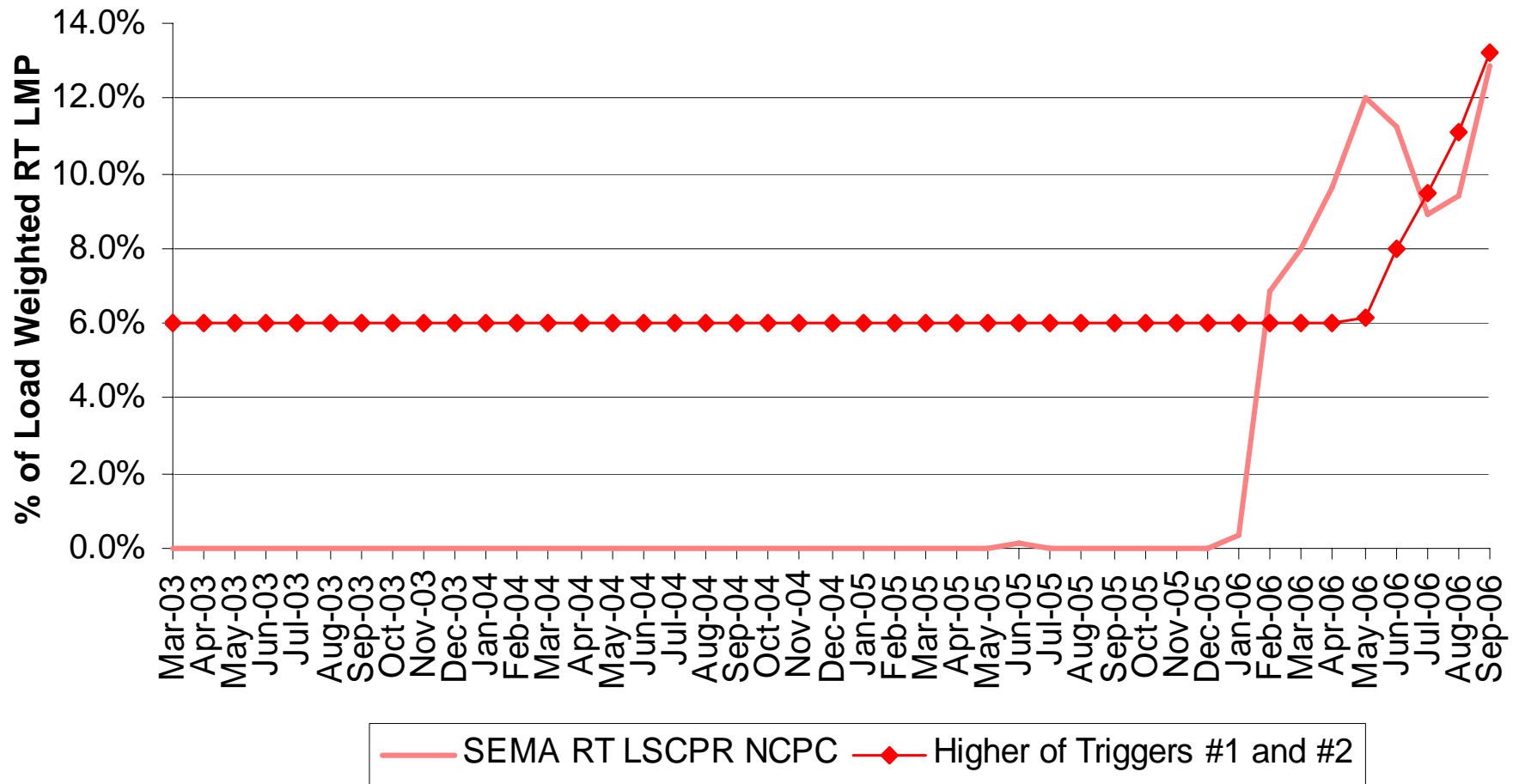
## CT Real-Time LSCPR NCPC Charges Vs. Triggers



## NEMA Real-Time LSCPR NCPC Charges Vs. Triggers



## SEMA Real-Time LSCPR NCPC Charges Vs. Triggers





# Benefits of this Proposal:

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- ◆ Generally, these 2<sup>nd</sup> Contingency Operating Reserve charges will continue to be allocated to the market participants who have taken on the load serving obligations
  - ◆ Allows competitive markets/suppliers a chance to fulfill the “promise of the competitive markets”
    - ◆ **better able to handle price volatility/risks, and find innovative strategies and solutions to reduce costs to customers**
- ◆ Market suppliers/LSEs protected from extreme, unexpected spikes in RT LSCPR NCPC Charges
  - ◆ “catastrophic insurance” provided by Network Load customers should reduce/eliminate extreme, unnecessary risk premiums
- ◆ Reasonably easy to implement