



Cost of New Entry (CONE) and Reserve Margin Used for the Forward Capacity Auction for the Capacity Commitment Period of June 1, 2011 to May 31, 2012 (FCA_2011_2012)

Cost of New Entry

Pursuant to Market Rule Section III.13.2.4, the CONE for FCA_2011_2012 is calculated as \$3.75/kW-month plus 50% of the Capacity Clearing Price in the Capacity Zone in the first Successful FCA. As described in the [FCA 2010 2011 Results Report](#), the Capacity Clearing Price for the FCA held in February 2008 for the Capacity Commitment Period of June 1, 2010 to May 31, 2011 was \$4.50/kW-month. Therefore, CONE for FCA_2011_2012 is calculated as:

$$\begin{aligned} \text{CONE}_{\text{FCA}_{2011_2012}} &= [\text{\$}3.75/\text{kW-month}] \text{ plus } [50\% * \text{\$}4.50/\text{kW-month}] \\ &= \text{\$}6.00/\text{kW-month} \end{aligned}$$

Reserve Margin

Pursuant to Market Rule Section III.13.7.1.5.1, the Capacity Value of a Demand Resource is calculated as the Demand Reduction Value for the month as determined pursuant to Section III.13.7.1.5.3 multiplied by the summer Installed Capacity Requirement divided by the 50/50 summer system peak load forecast as determined by the ISO for the Forward Capacity Auction immediately preceding the Forward Capacity Auction in which the Demand Resource clears. The “summer Installed Capacity Requirement divided by the 50/50 summer system peak load forecast” is also referred to as the Reserve Margin. For FCA_2011_2012, this value is calculated as:

$$\begin{aligned} \text{ReserveMargin}_{\text{FCA}_{2011_2012}} &= [33,705 \text{ MW}] \text{ divided by } [29,035 \text{ MW}] \\ &= \mathbf{1.161 \text{ or } 116.1\%} \end{aligned}$$

This Reserve Margin will be used when calculating the Qualified Capacity Value for Demand Resources participating in FCA_2011_2012.