



Settlements Issues Forum

Q3 2012 Meeting

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MARKET ANALYSIS & SETTLEMENTS

Settlements Topics and Issues



Upcoming Settlement Changes

- Forward Reserve Threshold Price
- Annual Financial Transmission Rights (FTR) Auction
- Blackstart



Divisional Accounting – Update



Discussion, Q&A



Informational Items

- Forum Date for Q4 2012

UPCOMING SETTLEMENT CHANGES

Forward Reserve Threshold Price

November 2012



Forward Reserve Market

Forward Reserve Threshold Price



November 2012

- Implements **daily** Forward Reserve Threshold Price, effective November 1, 2012.
- Replaces monthly Forward Reserve Threshold Price.

Daily Forward Reserve
Threshold Price



Forward Reserve
Heat Rate*



Daily Forward Reserve
Fuel Price Index

**Forward Reserve Heat Rate for Winter 2012/13 is 15,747 Btu/kWh*



Posted each day by 16:00 ET

Joint ISO New England/NEPOOL
FERC Filing

[ER12-2485-000](#)

August, 2012

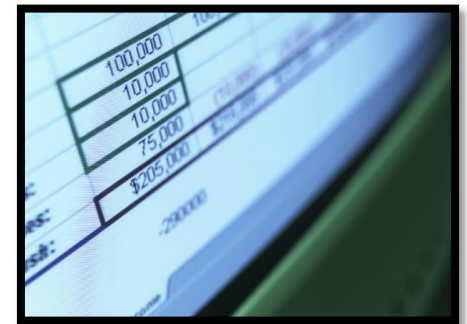
Forward Reserve Market

Threshold Price



November 2012

- Any Participant with FRM obligation must ensure that supply offers for FRM resources are at or above threshold each day.
- Settlement will use the daily Forward Reserve Threshold Price in the Forward Reserve delivery determination.
- No structural change to MIS Reports:
 - **Daily price** will replace the **monthly price** in MIS report
 - SD_RSVASTDTL report



UPCOMING SETTLEMENT CHANGES

Annual FTR Auction

January 2013



Financial Transmission Rights (FTR)/ Auction Revenue Rights (ARR)



January 2013

Under the new rules, the Annual Auction will be performed in two rounds, instead of just one round.

Phase 1

Effective October 2012

- Changes structure of *annual* auctions
- Applies for the 2013 annual auction

Phase 2

Effective with notice, after Jan 2013

- Changes structure of *monthly* auctions

Joint ISO New England/NEPOOL
FERC Filing

[ER12-2195-000](#)

July, 2012

FTR/ARR - Two Round Annual Auction



January 2013

2013 Round 1 of Annual Auction

October 18-22, 2012

- 25% of the network capacity is available for purchase.
- Prices and Cleared FTRs published
 - FTR holders' identities will not be public at this time.
 - Publication date is 11/2/2012.

2013 Round 2 of Annual Auction

November 15-19, 2012

- Additional 25% of the network capacity is available to purchase.
- Prices, Cleared FTRs, and FTR holder identities for all Annual FTRs published after Round 2.*
 - Publication date is 11/30/2012.



Note that dates shown here are preliminary and are subject to change.

* Round in which FTR cleared will be indicated in report.

How is the Settlement Impacted by the Two Round Annual Auction?



January 2013

- Minor changes in FTR/ARR MIS Reports.
- MIS Report Description Changes detailed in [August 30, 2012 ISO Notice](#).

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AT A GLANCE

- Morning Report
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LMP PRICE TICKER

.Z.CONNECTICUT

09/05/2012 09:35

Energy Comp: \$143.08

Congest Comp: \$0.00

Loss Comp: \$2.82

LMP: \$145.90

New England Load (MW): 19,360

Features

Your fast lane to market and power system data now includes report downloads! New section on ISO Express enables quick, easy access to current and historical data reports pertaining to the energy and ancillary services markets. [More](#)

In 2011, New England's wholesale electric energy price dropped 6% and the wholesale markets operated competitively, according to the 2011 Annual Markets Report. [\[PDF\]](#) [More](#)

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Calendar Notices

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Name: Revisions to the Market Information Server (MIS) report descriptions, templates and sample files

Date: Thu Aug 30, 2012 11:45 AM

Description: ISO New England Inc. has made revisions to the Market Information Server (MIS) report descriptions, templates and sample files effective 10.09.2012 as follows. Please access the hyperlinks for complete report information.

FA_FTRPREAWDREQ: Modified. "Auction Name" will be reported in the report heading instead of auction period.

UPCOMING SETTLEMENT CHANGES

Blackstart Service

January 2013



Blackstart Service



January 2013

- Transition to a new restoration plan for New England.
- Blackstart generators will receive payment that includes:
 - Capital
 - Operating & Maintenance Costs (O&M)
 - Critical Infrastructure Protection (CIP) Capital, as applicable
 - CIP O&M, as applicable
- Blackstart cost allocation is unchanged; allocator is Regional Network Load.

**Joint ISO New England/NEPOOL
FERC Filing**

ER12-0729-000
December, 2011

Blackstart Service



January 2013

- New MIS Reports for Blackstart:
 - MIS Report Description changes will be issued in December, 2012.
 - Current MIS Reports will be retired after Data Reconciliation Process (DRP) resettlement for December is issued for the May 2013 bill.
- WebEx conferences in November 2012:
 - Technical conference will cover operations changes.
 - Settlements conference will cover calculation details.

Questions



DIVISIONAL ACCOUNTING



Divisional Accounting

Progress Update

UPDATE



- Overview of Divisional Accounting Issue
- ISO Planned Implementation Overview
- Scoping Results
- Subaccount Management
- Cost Allocation
- Market Participant Feedback

Overview of Divisional Accounting Issue

- ISO's current settlement system provides one account for each Market Participant.
- Market Participants have requested a Divisional Accounting option.
 - * *Information Request Group (IRG) highest priority request.*
- ISO New England has been scoping an implementation plan to fulfill this request.



**Divisional
Accounting**

Scoping - Implementation Overview



Divisional Accounting

- ISO New England would offer Divisional Accounting as an option to Market Participants for Settlement reporting.
- Market Participants using the Divisional Accounting option would have activity by subaccount reflected in settlement MIS reports.
- Current MIS reports would be augmented with a new section detailing the report activity by subaccount.
- Subaccount activities would “roll up” and total to the same values published in the current settlement reports.

Scoping - Implementation Overview



Divisional
Accounting

- ISO New England Invoice and Billing practices would not change for Divisional Accounting.
- MIS Billing reports would include sections which detail the activity by subaccount.
 - Subaccount billing reports would “roll up” to total Invoice or Remittance for Market Participant.
- Financial Assurance determinations for Market Participants would not be impacted by use of Divisional Accounting.
 - A Market Participant’s complete financial position would be evaluated for Financial Assurance.

Scoping Results

Subaccounts



**Divisional
Accounting**

- Market Participants would be responsible for managing their subaccounts.
- Subaccounts would be:
 - Managed through Customer Asset Management System (CAMS).
 - Created prospectively, on monthly boundaries.



Scoping Results

Subaccount Management



Divisional
Accounting



- Market Participants would manage asset assignments to subaccounts through CAMS.
 - Generators
 - Load Assets
 - Asset Related Demand
 - Resources
 - Network Loads

Scoping Results

Activity Assignment



**Divisional
Accounting**

- There are certain activities available to Participants in the market that are not directly related to assets.
- These activities would be assigned to subaccounts at data entry point.

| Transaction Activity | Entry Point |
|--------------------------------------|--------------------|
| Demand bids and virtual transactions | eMkt |
| FTR bids | eFTR |
| External transactions | EES |
| Internal bilateral transactions | SMS |

Scoping Results

Participants' Day Ahead Market Activities in eMkt



Divisional
Accounting

- Day Ahead (DA) Energy Demand Bids would include subaccount information.
 - No modification could be made to subaccount designation after Day Ahead Market window closes.
- Virtual Bids and Offers would include subaccount information.
 - No modification could be made to subaccount designation after Day Ahead Market window closes.
- DA Energy Generator Supply Offers subaccount information would be captured through CAMS.
 - Subaccount information would not be part of Day Ahead supply offer.
 - Same is true for the Real-Time Energy Reoffer.

Scoping Results

Financial Transmission Rights (FTR) Activities in eFTR



Divisional
Accounting

- Participants' FTR Auction bids would include subaccount designation information.
 - No change in subaccount designation after the auction closes.
- MIS reporting on FTRs awarded in the auction would be associated with the subaccount designated in the bid.
 - Subaccount information on Participants' MIS reports.
 - No subaccount information displayed on the public reports of cleared FTRs.



Scoping Results

External Transactions in Enhanced Energy Scheduler (EES)



**Divisional
Accounting**

- Participants' transaction data submittals to the EES would include subaccount information.
 - No modification could be made to subaccount designation after EES deadline.

Scoping Results

Internal Bilateral Contracts (IBTs) in SMS



Divisional
Accounting

- Participants' internal bilateral contracts could be assigned to subaccount.
- Some flexibility for IBT subaccount designation:
 - Subaccount information could be designated when contract is entered into Settlement Market System (SMS).
 - User Interface for subaccount designation.
 - Field for subaccount designation if contract is entered via file upload.
 - Subaccount information could be designated when contract is confirmed in SMS.
 - User Interface for subaccount designation.

Subaccount Management

Summary of Market Participant Subaccount Management

- Subaccounts would be created in CAMS; monthly boundaries enforced.
- Assets would be assigned to subaccounts via CAMS.
- Participant Activities would be assigned to subaccounts at data entry point.

| Transaction Activity | Entry Point |
|--------------------------------------|-------------|
| Demand bids and virtual transactions | eMkt |
| FTR bids | eFTR |
| External transactions | EES |
| Internal bilateral transactions | SMS |

Subaccount Management

Additional Subaccount Management Rules



Divisional
Accounting

- Market Participants using Divisional Accounting would have one subaccount as the “default” subaccount.
- Any asset that has not been assigned to a subaccount will be reported in the default subaccount.
- Any activity that has not been assigned to a subaccount will be reported in the default subaccount.
 - Demand bidding and virtual transactions
 - FTRs
 - External Transactions
 - Internal Transactions

Cost Allocation

Overview



- ISO will implement rules to ensure that cost allocation is not affected by Divisional Accounting.
- Costs with tiered rates or netting across dimensions will be allocated among subaccounts using a pro-rata approach.
- Participant expenses and any miscellaneous charges would be reported in the default subaccount.



Cost Allocation

ISO Self Funding Tariff

- Has *tiers* of costs for Transactional Units and Volumetric charges.
 - Divisional Accounting will not result in loss of economies of scale for a Market Participant.
- Assesses Transactional Unit for each hour of non-zero Adjusted Interchange.
 - Divisional Accounting will not result in more than one TU per hour for any Market Participant.



Cost Allocation

Ancillary Services



- Real Time Net Commitment Period Compensation (NCPC) charge allocation determinant calculation:
 - Divisional Accounting will not result in change in value of Load Obligation Deviation.
 - Load obligation deviations are summed over all locations, and then set to absolute value.
 - Market Participants with Load Obligation deviations in different subaccounts will not lose benefit of netting negative and positive load obligations in an hour.
- Forward Reserve Market - Failure to Reserve calculation:
 - Divisional Accounting will not cause Failure to Reserve due to Forward Reserve Deliveries in multiple subaccounts.

Cost Allocation

NEPOOL Participant Expenses



- Market Participants are billed for various NEPOOL Participant Expenses.
- Divisional Accounting will not result in a change in expenses billed to a Market Participant.

Impacts for Market Participants Not Using the Divisional Accounting Option



Divisional
Accounting

- No account management requirements.
- Certain data submittal requirements for eMkt and eFTR would incorporate new fields for subaccount designation, some modification of data upload format may be necessary.
- MIS settlement reports will have additional fields that may need to be accounted for in MIS data collection software.



Implementation Plan

Schedule

- ISO is assessing the plan described here for implementation which will determine needs and timetable.
- A timetable for implementation will be ready for stakeholder presentation in Q4 2012.



Questions & Discussion



Market Participant Feedback

Divisional Accounting Implementation Plan



Email your feedback to:

isoneinfocontact@iso-ne.com

- ISO wants your feedback on the Divisional Accounting approach outlined here.
- **Will this new reporting mechanism meet your organization's needs? Please let us know!**

Please respond by Friday, OCTOBER 12.

Informational Items

Settlements Issues Forum Schedule



- Q4 2012:
December 12, 2012
1:00 – 2:00 p.m.
- Registration will be available in ISO-TEN at end of October.

Thank you

Thank you for your participation!
The broadcast has ended.

