

To: NEPOOL Reliability Committee

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Subject: Sloped Demand Curves: Guide to Market Rule Changes

Beginning at the October Markets Committee meeting, the ISO has presented its proposed sloped demand curve methodology to stakeholders. This methodology seeks to introduce sloped curves to constrained zones in the Forward Capacity Market; modifies the existing system curves; and discontinues administrative pricing provisions in the Forward Capacity Market. The updates to the market rules to support this change are summarized below in five tables: **Design Changes for Marginal Reliability Impact Value; Design Changes to Calculate New System and Zonal Demand Curves; Design Changes to DCA Closing Conditions, New FCA Pricing Rules, and Excess Supply Publishing Rules; Design Changes to Administrative Pricing Rules; and Conforming Changes.**

Design Changes for Marginal Reliability Impact Value

The design changes identified in the December, January and/or February presentation are described below.

Language Reference	Explanation
Definitions	Introduce Marginal Reliability Impact as defined term
III.12.1	Eliminate description of capacity requirement for the system demand curve
III.12.1.1	New section outlining calculation of MRI values for the system, used to calculate System Wide Capacity Demand Curve values
III.12.2.1.3	New section outlining calculation of MRI values for import-constrained zones
III.12.2.2.1	New section outlining calculation of MRI values for export-constrained zones
III.12.3	Update information filed before FCA to include Capacity Zone Demand Curves
III.12.7, III.12.8, III.12.9	Replace 'capacity requirement values for the System-Wide Capacity Demand Curve' with 'Marginal Reliability Impact values'

Design Changes to Calculate New System and Zonal Demand Curves

The design changes identified in the December, January and/or February presentation are described below.

Language Reference	Explanation
Definitions	Introduce Capacity Zone Demand Curves as a defined term

Language Reference	Explanation
III.13.2.2	Add 'and the Capacity Zone Demand Curves for each modeled capacity zone' to reflect that the design includes sloped curves for constrained zones
III.13.2.2.1	Introduce new section outlining methodology to calculate system demand curve, replacing current system demand curve methodology
III.13.2.2.2	Introduce new section outlining methodology used to calculate demand curves for import-constrained zones
III.13.2.2.3	Introduce new section outlining methodology used to calculate demand curves for export-constrained zones
III.13.2.2.4	Introduce new section introducing methodology used to calculate the scaling factor

Design Changes to DCA Closing Conditions, New FCA Pricing Rules, and Excess Supply Publishing Rules

The design changes identified in the December, January and/or February presentation are described below.

Language Reference	Explanation
III.13.2.3.3	Specify round closing rules, calculation of excess supply, and clearing prices for each zone using the demand curve methodology (rather than fixed zonal requirements); replace reference to LSR with Capacity Zone Demand Curve; adjust payment rate to administrative price when applicable
III.13.2.7	Add language for the capping of clearing prices in Rest-of-Pool Capacity Zone and import-constrained zones at the FCA starting price; and setting a floor for the clearing price in export-constrained zones at zero.
III.13.2.7.4	Modify language to incorporate the Capacity Zone Demand Curves in the capacity rationing process.

Design Changes to Administrative Pricing Rules

The design changes identified in the December, January and/or February presentation are described below.

Language Reference	Explanation
Definitions	Eliminate Inadequate Supply and Insufficient Competition defined terms as they are discontinued under proposal
III.13.2.5.2.7	Eliminate section as going forward, the capacity price can no longer be set administratively
III.13.2.7.9	Eliminate section to remove Capacity Carry Forward provision
III.13.2.8	Eliminate section to remove Inadequate Supply and Insufficient Competition provisions
III.13.2.3.3, III.13.7.2.1.1, III.13.7.2.7.1.1.2, III.13.7.2.7.1.2, III.13.7.2.7.2.1,	Modify description of administratively-set payment rate for Inadequate Supply and Insufficient Competition

Language Reference	Explanation
III.13.7.2.7.5.2, III.13.7.2.7.5.3, III.13.7.3.3.1	

Conforming Changes

The balance of the tariff changes result from conforming changes.

Language Reference	Explanation
Definitions	Eliminate APR1, APR 2, APR 3 defined terms that are no longer used
Definitions	Eliminate New Capacity Required defined term as the introduction of zonal demand curves eliminates zonal requirements
Definitions	Eliminate Successful FCA defined term as it is no longer necessary with administrative pricing provisions that are discontinued
III.13.2.5.2.1	Eliminate references to removed sections (III.13.2.5.2.7, III.13.2.7.9, III.13.2.8)
III.13.2.5.2.2	Eliminate references to removed section (III.13.2.5.2.7)
III.13.2.5.2.4	Eliminate references to administrative pricing provisions
III.13.2.5.2.5	Edits for clarity
III.13.2.5.2.6, III.13.2.7.8, III.13.2.9, III.13.8.3, III.13.8.4	Eliminate sections that had been '[Reserved]'
III.13.4.3	Modify reference to Inadequate Supply rule
III.13.4.5	Add reference to capacity demand curves modeling and remove reference to constraints
III.A.24	Add language to specify that IMM's retirement portfolio test may use zonal demand curves to estimate capacity clearing prices

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