Competitive Auctions with Sponsored Policy Resources

The ISO’s Proposed Approach to Balancing Wholesale Markets and States’ Policies

Chris Geissler

413-535-4367 | cgeissler@iso-ne.com
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<th>Competitive Auctions with Sponsored Policy Resources (CASPR)</th>
<th>WMPP ID: 117</th>
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<tr>
<td>Proposed Effective Date: March 2018 (for FCA 13)</td>
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- ISO is offering a proposal of Forward Capacity Market (FCM) enhancements to:
  - Accommodate sponsored policy resources into the FCM over time, and
  - Preserve competitively-based capacity pricing for other resources

- Today: Review of ISO proposal and stakeholder alternatives/amendments, Committee vote
Presentation contents

• Additional technical Tariff changes (next slide)
  – Clarifications and improvements, and removal of SA rate lock

• Design Summary
  – Summary of ISO’s proposed CASPR design

• Sponsored Policy Resources
  – Discussion of proposed definition and its application

• RTR Exemption Phase-out
  – ISO’s revised proposal and CASPR conforming changes

• Tariff Changes
  – Updates to the ISO’s proposed Tariff revisions

• EMM Memo
  – Discussion of the ISO’s concerns with the EMM’s proposal
Technical changes in ISO’s revised Tariff sheets

• ISO posted its proposed tariff revisions with incremental edits after the October 25th meeting highlighted

• Sponsored Policy Resource definition clarity
  – “a New England State’s law” and “joint action agency” replaces “jointly with other municipal utilities”

• Removing the option for supply to elect an SA rate lock
  – Expect that feature would not be used (lock-in lower SA rate) and could be inconsistent with FERC Order prohibiting the rate lock for Renewable Technology Resources

• External interface bids/offers entered into the SA and interface pricing rules under specific scenarios

• Remove redundant priority clearing statement for Proxy de-list bids

• Timeline correction for RTR election and ISO review
DESIGN SUMMARY

Summary of the ISO’s proposed CASPR design
Substitution Auction Added to the Annual FCA

• Primary Forward Capacity Auction (FCA) uses the same rules as today to buy capacity and set prices
  – *Excepting:* RTR exemption is phased out (as detailed in a later module)

• Substitution Auction (SA) occurs after the primary FCA
  – Supply offers from sponsored resources that didn’t receive a Capacity Supply Obligation (CSO)
  – Demand bids from existing resources that did receive a CSO
  – Participation is *entirely voluntary*

• Supply sold in SA replaces cleared demand
  – Supply resources become existing capacity for following year
  – Demand permanently retires from all markets

• Two settlement system pays cleared supply SA clearing price, demand receives “severance payment” equal to the difference between primary FCA and SA clearing prices
Participating in the SA as Supply

Must be a new capacity resource and meet three criteria:

1. Qualify to participate in the FCA as new capacity
2. Elect to participate in the SA at the show of interest (April)
3. Certify the resource is a Sponsored Policy Resource in the new resource qualification package (June)
   – Sponsored Policy Resource definition is detailed in a later module
Additional SA Supply Provisions

- Supply offers are rationable
- May elect rate-lock at SA clearing price
- Can be designated for self-supply
- Not allowed for new resource in a “re-powering offer”
- Composite offers can participate if the summer resource meets all eligibility criteria
- Conditional qualified resources may participate
Participating in the SA as Demand

• Must be an existing resource with a capacity interconnection
  – Generators with CNRIS, and imports associated with an external elective transmission upgrade with CNIIS
  – Competitive new resources that sold capacity in primary FCA are not entered as demand in SA

• Can participate via one of two tracks:
  – Track 1: a priced retirement de-list bid obligates the resource to have a demand bid
  – Track 2: all other eligible resources may elect to have a demand bid
  – Elect by the retirement and permanent de-list bid deadline (March)

• Cleared demand obligates resource to retire from all markets
Additional SA Demand Provisions

• Demand bid prices can differ from bid prices in primary FCA
• Demand bids are not rationable
• May still be receiving FCA or SA rate-lock
• Cannot be designated for self-supply
• Cannot join a composite offer
• Allowed for existing resource in a “repowering offer”
Reliability Review of SA Demand Bids

• Demand bids reviewed for reliability needs in the same manner as retirement de-list bids

• Resources needed for reliability do not have their demand bids entered into the substitution auction

• After the auction, participants are notified of demand bids corresponding with their resources that are retained and otherwise would have cleared
Clearing the Substitution Auction

- SA clears the set of supply offers and demand bids that maximizes social surplus
- System reliability (expected energy not served) is unchanged from the primary FCA result
- SA clearing prices are set by partially cleared offers and capacity’s MRI value
- When a cleared demand bid has a bid price below the SA clearing price, a side payment is made and the revenue imbalance is allocated to Capacity Load Obligations in the Net Regional Clearing Price
Interactions with the FCM Retirement Reforms

• SA occurs after the primary FCA and may replace the CSO awarded to proxy de-list bids before a second run of the primary FCA clearing
  – CSO awarded to proxy de-list bids aren’t held by a resource

• Proxy de-list bid CSO are assigned a rationable proxy demand bid in the SA with priority to clear before other SA demand
  – Cleared proxy demand bids receive no severance payment

• If the proxy de-list bid is for a Permanent de-list bid, the resource is only retired from the FCM

• Second run of primary FCA clearing only if the CSO associated with proxy de-list bids wasn’t replaced in SA
Information Publication and Filings

- After the show of interest window, ISO publishes aggregate quantities of supply and demand electing to participate in the SA by capacity zone
  - Use zones selected for study for the associated FCA
- In the pre-FCA information filing, ISO reports the aggregate quantities of supply and demand qualified for the SA
- In the post-FCA results filing, ISO reports the SA clearing prices and awards, and side payments to demand bids
Settlement of Substitution Auctions

• The FCA and SA follow a standard two-settlement system where cleared supply is paid SA price and cleared demand ‘buys out’ at SA price

• Positions are settled with the monthly FCM bill for the associated commitment period

• Settlements adjust cleared CSO MW for Intermittent Power Resources and composite offers in a manner similar to primary FCA

• SA payments and charges are included in the Net Regional Clearing Price and charges to Capacity Load Obligations in each capacity zone
SPONSORED POLICY RESOURCES

Discussion of proposed definition and its application
Definition of Sponsored Policy Resources

- At the October 3rd Markets Committee (MC), stakeholders had many questions about the ISO’s proposed definition of a Sponsored Policy Resource
- ISO has proposed revisions to the definition to add clarity, but that do not alter the ISO’s intended design
- The updated definition is explained in the corresponding memo and on the following slides
Definition of Sponsored Policy Resources is Intended to be Broad

• ISO’s proposal determines supply eligibility based on whether a resource is ‘sponsored’

• A ‘sponsored’ resource is developed in response to policy decisions by a state, municipality, or electric coop

• This definition is **intentionally broad** so the ISO is not required to determine if a resource is eligible based on details such as contracting terms, the legitimacy of the sponsoring entity’s policy decision, etc.

• ISO’s assessment concluded that the risk of entities sponsoring resources to suppress primary FCA prices is low
Updated Sponsored Policy Resource Definition
Clarifies Meaning of Sponsored

• State sponsored means the resource is being developed pursuant to a requirement of state law or at the direction of a state electric utility regulatory authority or energy department

• A resource sponsored by a municipal or cooperative utility must participate as a Self-Supplied FCA Resource
Sponsored Policy Resource is a New Capacity Resource that is either: (i) developed pursuant to a requirement of a New England state’s law, or at the direction of a New England state utility regulatory authority or energy department, or, alternatively; (ii) designated as a Self-Supply FCA Resource by a municipal utility (acting individually or through a joint action agency jointly with other municipal utilities) or by a cooperatively owned electric utility.
Project Development Scenarios and Stakeholder Feedback

• The ISO’s memo includes several project development scenarios and indicates whether each would be eligible to participate as supply in the SA

• As stakeholders evaluate alternative eligibility rules, the ISO encourages them to consider how these changes would impact which of these project scenarios would be eligible to participate as SA supply
RTR EXEMPTION PHASE-OUT

ISO’s revised proposal and CASPR conforming changes
ISO Proposes to Include a Limited RTR Exemption Phase-Out with CASPR

- ISO views CASPR as the *market-based mechanism* to accommodate sponsored resources that should ultimately replace the RTR exemption.
- However, ISO recognizes stakeholder concerns that an abrupt termination of the RTR may affect contracts that have already been agreed upon.
- ISO is modifying its proposal to **phase-out the RTR** over a limited period while CASPR is also in effect (beginning FCA 13).
- Details of the proposed phase-out and conforming changes to the CASPR design are explained in the corresponding memo and on the next slides.
ISO’s Proposed RTR Phase-Out Approach

• A total of 514 MW of RTR exemption are available for FCA 12 under the current rules (2017 CELT, “4.2 RTR Allotments” tab*)

• **RTR exemptions would be capped at 514 MW** and decrease annually by the amount of CSO acquired by new RTR capacity in the prior auction
  – E.g., if 100 MW of CSO acquired in FCA 12, FCA 13 cap is 414 MW
  – E.g., if 100 MW of CSO then acquired in FCA 13, FCA 14 cap is 314 MW

• No changes to the RTR resource eligibility rules

• RTR exemption is discontinued after FCA 15
  – No capacity clears using the RTR exemption in FCA 16

*https://www.iso-ne.com/static-assets/documents/2017/05/2017_celt_report.xls
Keeping the RTR Provisions Requires Minor Changes to the CASPR design mechanics

1. Deadline to submit SA supply offer and demand bid prices moved after the composite offer window (October)
   - Allows RTR elections and ISO review/prorating to be completed before participants must submit their SA offers
   - Offer/bid deadline was previously in the static de-list bid finalization window (September or early October)

2. RTR election submittal window shortened from 5 to 2 days and ISO review window lengthened from 3 to 5 days
   - Allows proration of RTR qualified capacity to be determined before participants form composite offers for the FCA and SA

3. Enable an RTR resource with prorated FCA qualified capacity to offer its remaining capacity in the SA
   - Similar to allowing remaining capacity in reconfiguration auctions
ISO Values Continued Stakeholder Discussion of RTR

- The ISO supports continued discussion of alternative stakeholder proposals that address the RTR exemption.

- ISO will carefully consider alternatives that are broadly supported by stakeholders, can be implemented, and are consistent with CASPR’s core design objectives:
  - Outlined in the ISO’s original CASPR discussion paper*

*https://www.iso-ne.com/static-assets/documents/2017/05/2017_celt_report.xls
TARIFF CHANGES

Updates to the ISO’s proposed tariff revisions
Tariff Changes After the October 3-4\textsuperscript{th} MC

- ISO posted its proposed tariff revisions with incremental edits to the document presented at the October 3-4 meeting.

- Incremental changes fall into one of two categories:
  - Clarifications and technical edits
  - Establishing the RTR phase-out which mostly involves reversing prior strike-outs and making conforming changes

- These changes are highlighted within the posted tariff document and explained on the next slides.

- Appendix A of this presentation contains a guide to the complete set of tariff revisions proposed by the ISO.
Tariff Changes: Clarifications and Technical Edits

a) Sponsored Policy Resource definition [I.2.2.]

b) Clarify tie-breaking on existing capacity shares occurs by Lead Market Participant [III.13.2.8.1.1]

c) Add pricing constraint to prevent negative SA clearing prices lower than the offer/bid floor of negative one multiplied by the FCA Starting Price [III.13.2.8.1.2]

d) Replace ambiguous uses of the term “clear” [III.13.2.8.2.1]

e) Clarify that a cleared SA demand bid associated with a Permanent De-List Bid and proxy de-list bid will only obligate the resource to retire from the FCM [III.13.2.8.3.1]

f) Clarify the descending clock auction is a part of the FCA [III.13, III.13.2.3, III.13.2.7]
   – Strike repetition of Capacity Supply Obligation defined term [III.13]
Tariff Changes: RTR Phase-out

a) Reverse prior strike-out of the RTR defined term [I.2.2.]

b) Reverse prior strike-outs of RTR provisions for qualification and FCA [III.13.1.1.7, III.13.1.2.3.1.3, III.13.1.2.3.1.4, III.13.1.5(h), III.13.2.3.2(a)(iv)]

c) Sunset the RTR election capability at FCA 16 (2025-26) [III.13.1.1.2.9]

d) Establish the RTR election cap and usage measure for FCA 13 (2022-23) through FCA 15 (2024-25) [III.13.1.1.2.10]
   – Correct uses of “New Generating Capacity Resource” term that excludes demand resources when setting the RTR cap [III.13.1.1.2.10]
Tariff Changes: Interaction Between RTR and SA

a) Shorten the RTR election window from 5 days to 2 days and lengthen the ISO review window from 3 days to 5 days [III.13.1.1.2.9, III.13.1.1.2.10]

b) Allow an RTR that is also participating in the SA to offer its remaining FCA qualified capacity in the SA [III.13.2.8.2.1(b)]

c) Shift the deadlines to submit SA supply offer and demand bid prices to after composite offer window [III.13.2.8.2.2, III.13.2.8.3.2]
EXTERNAL MARKET MONITOR MEMO

Discussion of ISO’s concerns with the EMM’s proposal
EMM supports CASPR, but proposes forcing competitive new resources to be SA demand

- External Market Monitor memo* generally supports CASPR, but **proposes two changes for competitive new resources:**
  A. Forcing competitive new capacity that clears in the FCA into the substitution auction, **without compensation** when bought out
  B. Changing the MOPR to cap sponsored policy resources’ minimum offer prices in the FCA at Net CONE

- **Stakeholders** previously identified numerous concerns with proposal A, and ISO does not view proposal B as an assured fix
  - Stakeholders’ concerns: **undermines incentives for competitive new entry** when needed; it could result in FCA “**price blow-outs**”

- **ISO** does not support revising CASPR as the EMM proposes

*Available at https://www.iso-ne.com/static-assets/documents/2017/10/a3_potomac_economics_memo_re_caspr.pdf
EMM is focused on the “over-build” issue

- **Over-build** occurs when sponsored policy resources are built but **do not acquire CSOs** (yet new competitive units do)
- EMM proposal aims to limit over-build by substituting sponsored resources for competitive new capacity
- As we’ve discussed at Markets Committee (*see last slide*), the core issue here is how to balance **two central risks**:
  - Limiting inefficient **over-build**
  - Maintaining incentives for **competitive entry** when it’s needed (and thereby **limiting consumer risk** of high FCA prices)
- These **issues are in tension**, and rules that perform better with respect to one tend to fare worse on the other
ISO and stakeholders’ prior concerns with forcing competitive new resources to be SA demand

- ISO’s initial proposal included competitive new as SA demand
- Stakeholders expressed concerns the design would **discourage competitive new participation** in the FCM
  - Why participate in the FCA if they expect to be forced out in the SA without compensation for the effort and cost of qualifying?
  - There will be periods when the region requires competitive new resources to meet resource adequacy needs
- Stakeholders noted this could yield an **FCA “blow-out”** where prices rise well above the true competitive cost of new entry
  - See NESCOE memo\(^1\) and ISO response\(^2\) about this risk
- Price blow-outs undermine the competitiveness of FCA, and **dramatically increase consumer costs** (paying high prices to all capacity purchased in the FCA)

\(^1\)https://www.iso-ne.com/static-assets/documents/2017/06/a5_nescoe_caspr_design_objectives.pdf
EMM’s proposed MOPR cap is not a reliable solution

• EMM proposes to **lower the minimum offer price for sponsored policy resources** to that of a “conventional new resource”
  – E.g., at Net CONE ($8.04/kW-mo, FCA12)

• EMM asserts this “ensures” competitive pricing since sponsored resources would set the FCA price absent any competitive new

• EMM’s argument **assumes commercial developers** making costly development decisions can perfectly predict:
  – The FCA for which their competitive resources will qualify (years later)
  – The sponsored policy resources that will participate that same year

• **Risk:** If **competitive new stays away** expecting sponsored supply – but sponsored resources do not materialize on time – then consumers remain at risk of price blowouts in EMM’s scenarios
The EMM’s numerical example on consumer costs provides incomplete conclusions about its proposal

• Foremost: The EMM’s consumer savings example in their memo relies on a tenuous assumption that competitive new resources will still enter the FCA under the EMM’s proposal
  – They are involuntarily forced to participate in the SA, and risk losing their CSO without any compensation

• Using the EMM’s numerical example of FCA 12, but modifying the assumptions so that competitive new expects sponsored resources, but those sponsored resources don’t materialize:
  – Reduces total cleared capacity by 350 MW in primary FCA
  – Increases FCA clearing price 32%, to $10.53/kW-mo
  – **Consumer costs increase by $991 million** (43x the potential savings from the EMM’s example)
The MOPR cap is an incomplete remedy and has other concerning properties

• FCA will clear at administrative Net CONE in many scenarios, moving region away from competitively-based capacity pricing
  – This runs contrary CASPR’s Design Objective #1

• EMM’s proposal may still not work if sponsored resources only enter in export-constrained zones

• In addition, the EMM’s consumer savings example is in error
  – It incorrectly assumes (p. 4) the SA price is set by the lowest cleared demand bid ($6.50/kW-mo); it would be set by the highest cleared supply offer at $3.50/kW-mo (Section III.13.2.8.1.2) in this scenario
  – Regardless: this consumer savings is very small relative to the consumer cost in the price “blowout” case (see example prior slide)
ISO continues to believe excluding competitive new from SA demand correctly balances CASPR objectives

• ISO proposal continues to exclude competitive new resources from SA demand
  – Balances competing concerns of preserving competitive market signals for new entry (when needed) and preventing FCA price blow-outs
  – Preserves “cash for clunkers” concept where sponsored policy resources replace existing resources that exit the markets

• ISO does not support the EMM’s proposal
  – Potential cost to consumers of FCA price blow-outs would greatly exceed the potential savings of lower SA severance payments and reduced out-of-market payments
  – A MOPR cap is an incomplete and problematic mechanism to address the FCA price blow-out concern
ISO’s previously-presented materials explaining the competitive new treatment (‘New vs. New’)

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<th>Meeting</th>
<th>Slides</th>
<th>Summary</th>
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<td>July 11-12, 2017</td>
<td>12 – 22</td>
<td>Discussion of concerns that ISO’s initial proposal did not adequately incent new entry, and two alternate options</td>
<td><a href="https://www.iso-ne.com/static-assets/documents/2017/07/a5_presentation_competitive_auctions_with_sponsored_policy_resources.pdf">https://www.iso-ne.com/static-assets/documents/2017/07/a5_presentation_competitive_auctions_with_sponsored_policy_resources.pdf</a></td>
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<td>June 13-14, 2017</td>
<td>37 – 45</td>
<td>Identify competing issues and walk through example where new resources are included as SA demand</td>
<td><a href="https://www.iso-ne.com/static-assets/documents/2017/06/a5_presentation_competitive_auctions_with_subsidized_policy_resources.pptx">https://www.iso-ne.com/static-assets/documents/2017/06/a5_presentation_competitive_auctions_with_subsidized_policy_resources.pptx</a></td>
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NEXT STEPS
Next Steps

• **Anticipated timeline:**
  - May 17: IMAPP Meeting
  - June – September: Markets Committee discussions
  - October 3\(^{rd}\): Final proposal elements, Tariff language, stakeholder alternatives and amendments
  - October 25\(^{th}\): Continued discussion of stakeholder alternatives and amendments
  - November 8: Markets Committee vote
  - December: Participants Committee vote
  - December/January: FERC filing

• **Implementation:**
  - Targeting FCA 13, to be conducted in February 2019
  - Retirement bids are due March 2018
Questions
Acronyms and Abbreviations in this Presentation

- CASPR: Competitive Auctions with Sponsored Policy Resources
- CNIIS: Capacity Network Import Interconnection Service
- CNRIS: Capacity Network Resource Interconnection Service
- CSO: Capacity Supply Obligation
- FCA: Forward Capacity Auction
Acronyms and Abbreviations in this Presentation (con’t)

• FCM: Forward Capacity Market
• MC: Markets Committee
• MRI: Marginal Reliability Impact
• RTR: Renewable Technology Resource
• SA: Substitution Auction
APPENDIX A

Guide to the ISO’s proposed tariff revisions
Tariff Sections with Proposed Revisions

• Section I – General Terms and Conditions
  – I.2.2 Definitions

• Section III – Market Rule 1
  – III.13.1 Forward Capacity Auction Qualification
  – III.13.2 Annual Forward Capacity Auction
  – III.13.4 Reconfiguration Auctions
  – III.13.7 Performance, Payments and Charges in the FCM
    • Note: this section is marked on the current 6/1/2018 effective sheets
  – III.13.8 Reporting and Price Finality
## Tariff Revisions: Definitions

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<td>I.2.2</td>
<td>Revise “Forward Capacity Auction (FCA)”</td>
<td>FCA process includes the primary and substitution auction, and a second run of the primary under retirement reforms</td>
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<td>I.2.2</td>
<td>Remove “Renewable Technology Resource”</td>
<td>Delete consistent with removing the RTR</td>
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<tr>
<td>I.2.2</td>
<td>Add “Sponsored Policy Resource”</td>
<td>Define resources eligible to participate as supply in the substitution auction</td>
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## Tariff Revisions: Conducting the SA and FCA

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<td>III.13.2.5.2.1(d)-(e)</td>
<td>Modify provision</td>
<td>Modify the process for conducting the second run of the primary auction for Proxy De-List Bids to reflect running the substitution auction beforehand</td>
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<td>III.13.2.5.2.5</td>
<td>New provision</td>
<td>Substitution auction demand bids incorporated into reliability review process. ISO may reject demand bids for reliability. Participant notification for demand bids that would otherwise clear</td>
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<td>III.13.2.5.2.5(f)</td>
<td>Clarify provision</td>
<td>Modified sentence construction for clarity</td>
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## Tariff Revisions: Conducting the SA and FCA (cont. 1)

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<td>III.13.2.8.1</td>
<td>New section</td>
<td>Describes the process of conducting the substitution auction</td>
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<td>III.13.2.8.1.1</td>
<td>New section</td>
<td>Clearing of the substitution auction</td>
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<tr>
<td>III.13.2.8.1.2</td>
<td>New section</td>
<td>Clearing prices in the substitution auction</td>
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<td>III.13.2.8.2.1</td>
<td>New section</td>
<td>Eligibility to participate as supply in the substitution auction</td>
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<td>III.13.2.8.2.2</td>
<td>New section</td>
<td>Submitting supply offer price-quantity pairs. Assignment of default offers</td>
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<tr>
<td>III.13.2.8.2.3</td>
<td>New section</td>
<td>ISO modifications of supply offers prior to conducting the substitution auction based on the first primary auction results</td>
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## Tariff Revisions: Conducting the SA and FCA (cont. 2)

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<td>III.13.2.8.3.1</td>
<td>New section</td>
<td>Eligibility to participate as demand in the substitution auction. Consequences of a cleared demand bid (i.e., retirement)</td>
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<td>III.13.2.8.3.2</td>
<td>New section</td>
<td>Submitting demand bid price-quantity pairs. Assignment of default bids</td>
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## Tariff Revisions: Publications and Filings

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<td>III.13.1.8(g)</td>
<td>New provision</td>
<td>Publishing quantities of supply and demand electing to participate in the substitution auction after Show of Interest</td>
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<td>III.13.8.1(c)</td>
<td>New provision</td>
<td>Publishing quantities of supply and demand qualified for the substitution auction in the pre-FCA information filing</td>
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<td>III.13.8.2(a)</td>
<td>New provision</td>
<td>Reporting results of the substitution auction in post-FCA results filing. Clarify only de-list bids rejected for reliability are reported in the filing.</td>
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# Tariff Revisions: Other participant actions

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<td>III.13.1.1.2.2.4</td>
<td>Modify provision</td>
<td>FCA rate lock election for a new generating resource also applies to the substitution auction, and has same treatment as resources with primary auction rate lock. Note: new import resources also may elect the FCA rate lock by cross-reference from III.13.1.3.5.4</td>
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<td>III.13.1.4.2.2.5</td>
<td>Modify provision</td>
<td>FCA rate lock election for a new demand resource also applies to the substitution auction, and has same treatment as resources with primary auction rate lock</td>
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<td>III.13.1.2.3.1</td>
<td>Conforming</td>
<td>Cross-reference to FCA rate lock election to include substitution auction</td>
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## Tariff Revisions: Other participant actions (*cont.*)

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<td>III.13.1.5(b)</td>
<td>Conforming</td>
<td>Cross-reference to FCA rate lock election to include substitution auction</td>
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<td>III.13.2.3.2(d)</td>
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<td>Cross-reference to FCA rate lock election to include substitution auction</td>
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<tr>
<td>III.13.4.2.1</td>
<td>Conforming</td>
<td>Portion of a resource with a cleared substitution auction demand bid (i.e., retired MW) cannot participate in reconfiguration auctions</td>
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### Tariff Revisions: Clarifying language to reflect FCA definition

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<tr>
<td>III.13</td>
<td>Conforming</td>
<td>Clarify that the FCA is a process that includes a descending clock auction; remove repetitive language defining a CSO</td>
</tr>
<tr>
<td>III.13.2.3</td>
<td>Conforming</td>
<td>Clarify that the FCA is a process that includes a descending clock auction</td>
</tr>
<tr>
<td>III.13.2.7</td>
<td>Conforming</td>
<td>Clarify that the FCA is a process that includes a descending clock auction</td>
</tr>
</tbody>
</table>
Tariff Revisions: FCM settlement

<table>
<thead>
<tr>
<th>Section</th>
<th>Change</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>III.13.7.1.1(d)</td>
<td>New provision</td>
<td>Settlement of substitution auction credit and charge amounts in the monthly bill</td>
</tr>
<tr>
<td>III.13.7.1.1(a)</td>
<td>Base correction</td>
<td>Corrected error in 6/1/2018 base tariff sheets for FCA rate lock period</td>
</tr>
</tbody>
</table>

Note: Section III.13.7 base sheets in the posted tariff revisions document are those effective 6/1/2018. Substitution auction settlements will not begin until 6/1/2022.
# Tariff Revisions: RTR exemption phase-out

<table>
<thead>
<tr>
<th>Section</th>
<th>Change</th>
<th>Description</th>
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</thead>
<tbody>
<tr>
<td>III.13.1.1.1.7</td>
<td>No change</td>
<td></td>
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<tr>
<td>III.13.1.1.2.9</td>
<td>New provision</td>
<td>RTR exemption not available after FCA15. RTR election window shortened to 2 days.</td>
</tr>
<tr>
<td></td>
<td>Modify provision</td>
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<tr>
<td>III.13.1.1.2.10</td>
<td>Modify provision</td>
<td>Establish the RTR exemption cap quantity and usage measure for FCA13 (2022-23) through FCA15 (2024-25). ISO review window lengthened to 5 days.</td>
</tr>
<tr>
<td>III.13.1.2.3.1.3</td>
<td>No change</td>
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<td>III.13.1.2.3.1.4</td>
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<tr>
<td>III.13.1.5(h)</td>
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<tr>
<td>III.13.2.3.2(a)(iv)</td>
<td>No change</td>
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