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October 18-21, 2021

Virtual

Settlements

Lesson 6B2: Supplier-Side Settlement (Failure to Cover)

Forward Capacity Market (FCM 101)

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Some slides or portions of slides may be intentionally hidden in the printed and posted versions of this presentation.

Topics

- Pre-Annual Reconfiguration Auction (ARA) 3 Market Information Server (MIS) Report
- Maximum Demonstrated Output (MDO)
- FCM Failure to Cover (FTC) Charge
- FCM Failure to Cover (FTC) Credit



Objectives

- Understand failure to cover
- Understand how MDO is calculated
- Understand Pre-ARA 3 MIS report
- Recall how failure to cover charge is calculated
- Recall how failure to cover credit is allocated



What is a Failure to Cover Charge?

- Adjustment to FCM credit
- Ensures resources with capacity supply obligation (CSO) can meet their obligation
- Encourages resources to shed any CSO they cannot meet
- Based on capability compared to CSO



How Do We Calculate Maximum Demonstrated Output?

Maximum demonstrated output period is the period beginning six years prior to start of applicable capacity commitment period (CCP) and ending with the most recently completed calendar month in CCP

6/1/2015

6/30/2021



- Generators – Energy quantity
- Active Demand Capacity Resource – Energy quantity
- Passive Demand Resource – Monthly performance value

Pre-ARA 3 MIS Report

- Pre-ARA 3 MIS report run mid-February
- Shows asset MDO from six years prior to last complete settlement month (January)
- Provides information customer can use to determine if they should shed CSO in ARA 3

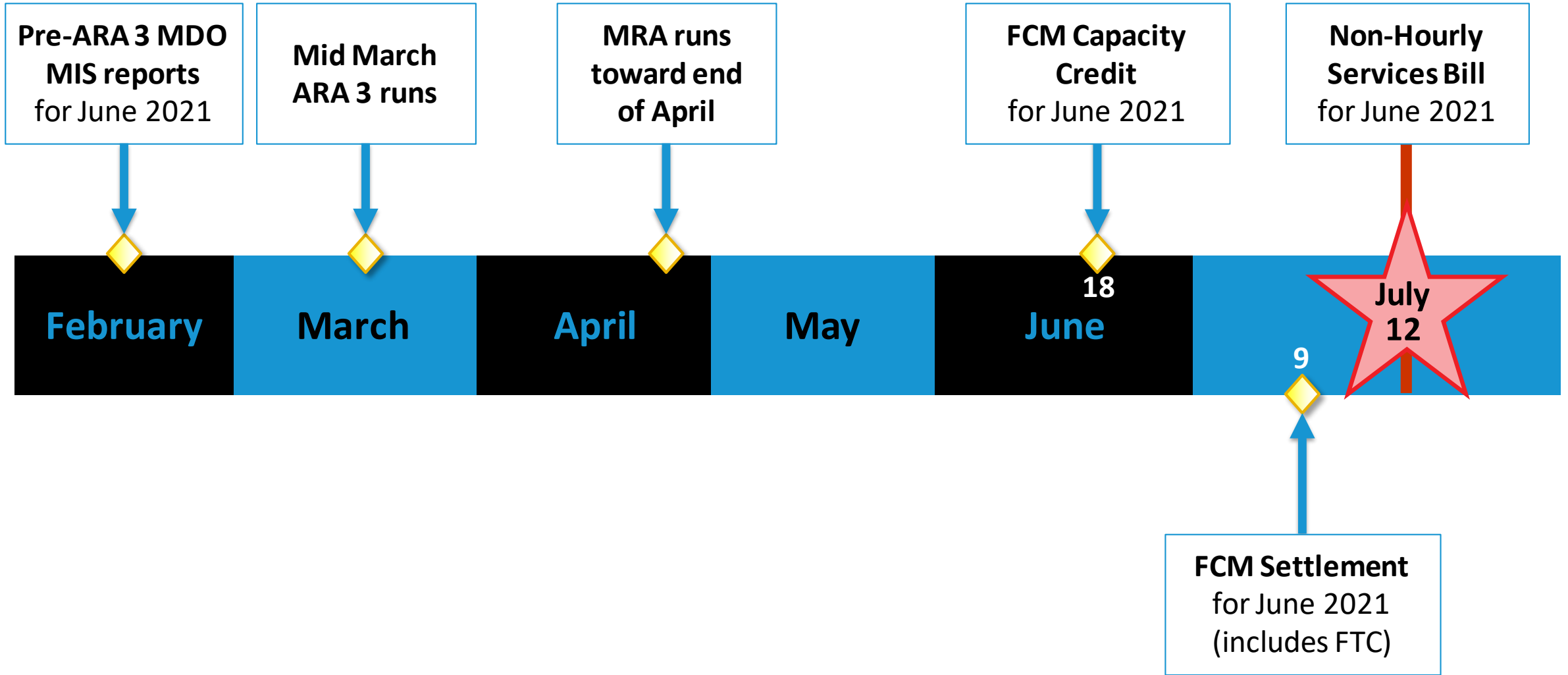
6/1/2015

1/31/2021

6/30/2021



Timeline 2021



Calculating Failure to Cover Credit and Charge




The FCM path of a non-intermittent generator ...



FCM Failure to Cover Charge		
	Component	Resource
A	FCA	180
B	ARA 3	10
C	MRA	(5)
D	Total CSO (A+B+C)	185
E	MDO	175
F	Difference (E – D)	(10)

FCM Failure to Cover Charge Rate

The failure to cover charge rate for a capacity zone is the higher of the capacity clearing price and the clearing price in any annual reconfiguration auction for that CCP

Auction Type	Clearing Price
FCA	4.631 
ARA 1	2.900
ARA 2	.300
ARA 3	1.571
Failure to cover charge rate	4.631

The FCM path of a non-intermittent generator ...



FCM Failure to Cover Charge		
	Component	Resource
A	FCA	180
B	ARA 3	10
C	MRA	(5)
D	Total CSO (A+B+C)	185
E	MDO	175
F	Difference (E – D)	(10)
G	Failure to cover charge rate \$/kw	4.631
H	Failure to cover charge (F x G) x 1000	(\$46,310.00)

The failure to cover charge is the difference between a resource's maximum demonstrated output (MDO) and its monthly capacity supply obligation multiplied by the failure to cover charge rate times 1000

The FCM path of a demand capacity resource...



FCM Failure to Cover Charge		
	Component	Resource
A	FCA	0
B	ARA 3	2
C	MRA	(1)
D	Total CSO (A+B+C)	1
E	MDO	3
F	Difference (E – D)	2

MDO is larger than CSO; therefore no failure to cover charge is calculated

The FCM path of an intermittent generator ...

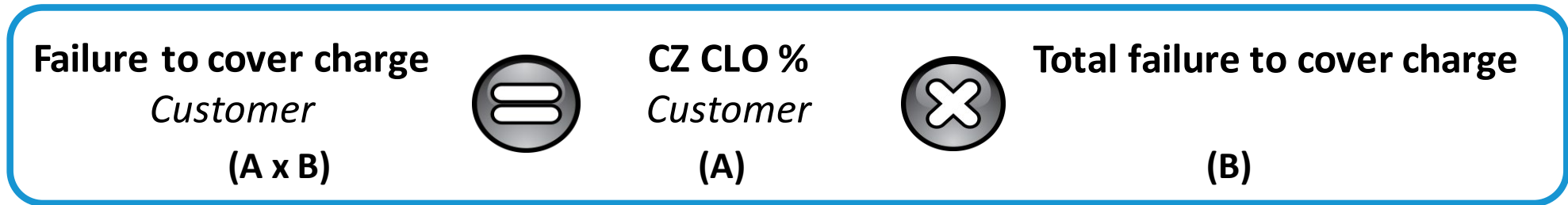


FCM Failure to Cover Charge		
	Component	Resource
A	FCA	2.6
B	ARA 3	0
C	MRA	(1.1)
D	Total CSO (A+B+C)	1.5
E	MDO	3
F	Difference (E – D)	1.5

MDO is larger than CSO; therefore no failure to cover charge is calculated

FCM Failure to Cover Credit Allocation

The failure to cover credit is allocated pro-rata to the capacity load obligation (CLO) in the capacity zone (CZ) and sum of all failure to cover charges in the capacity zone



Customer	CZ CLO MW	CZ CLO % (A)	Total FTC Charge (B)	Failure to Cover Credit
Customer 1	(1200)	92.31%	\$ 46,310.00	\$ 42,748.76
Customer 2	(200)	15.38%	\$ 46,310.00	\$ 7,142.78
Customer 3	100	(7.69)%	\$ 46,310.00	\$ (3,561.24)
Total	(1300)	100%		\$ 46,310.00

Summary



In this section, you learned:

- What failure to cover is
- How maximum demonstrated output (MDO) is determined
- Pre-ARA 3 MIS report
- How failure to cover charge is calculated
- How failure to cover credit is allocated

Questions

Use **Raise Hand** to verbally ask a question
(wait to be called on)



- Use **Q&A** to type a question
- Other uses for **Q&A**:
 - Instructor requests you send to Parking Lot
 - Facilitator requests questions be sent via Q&A due to time constraints

A screenshot of a Q&A interface. At the top, it says 'Q&A' with a dropdown arrow and a close button. Below that, it says 'All (1)'. The main content area shows a question from 'Gina (SME) - 10:59 AM': 'Q: How do I switch between 2 open documents I am showing internally in Webex?'. Below the question is a text input field with a placeholder: 'Select a question and then type your answer here, There's a 256-character limit.' At the bottom right, there are two buttons: 'Send' and 'Send Privately...'.

Q&A

All (1)

Gina (SME) - 10:59 AM

Q: How do I switch between 2 open documents I am showing internally in Webex?

Select a question and then type your answer here, There's a 256-character limit.

Send Send Privately...