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

• Implements **daily** Forward Reserve Threshold Price, effective November 1, 2012.

• Replaces monthly Forward Reserve Threshold Price.

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**Daily Forward Reserve Threshold Price**  **=**  **Forward Reserve Heat Rate**  **and**  **not**  **Daily Forward Reserve Fuel Price Index**

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

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*Posted each day by 16:00 ET*

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

**ER12-2485-000**

August, 2012
Forward Reserve Market

Threshold Price

- 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)

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

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.

* Round in which FTR cleared will be indicated in report.
How is the Settlement Impacted by the Two Round Annual Auction?

- Minor changes in FTR/ARR MIS Reports.
UPCOMING SETTLEMENT CHANGES

Blackstart Service

January 2013
Blackstart Service

• 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

• **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*

- 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.
Scoping - Implementation Overview

• 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

• 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

• 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

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

Activity Assignment

- 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.

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<thead>
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Scoping Results

Participants’ Day Ahead Market Activities in eMkt

• 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

- 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)*

- 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*

- 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.

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Subaccount Management

Additional Subaccount Management Rules

- 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

• 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

- 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!

Email your feedback to: isoneinfocontact@iso-ne.com

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.