



Settlements Issues Forum

Q4 2013 Meeting

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REVISION 1: DECEMBER 12, 2013



Settlements Topics and Issues



Upcoming Settlement/Market Changes

- Winter 2013/14 Reliability Program
- Day-Ahead Net Commitment Period Compensation (NCPC) – Allocation change



Implemented Market Changes – Update

- Forward Capacity Market – Shortage Event Trigger



Divisional Accounting Update



Informational Items – Forum dates for 2014



Discussion, Q&A

UPCOMING MARKET CHANGES



- Winter 2013/14 Reliability Program
- Day Ahead Local Second Contingency Protection Resource
Net Commitment Period Compensation (DA LSCPR NCPC) – Allocation change



Winter 2013/14 Reliability Program



- ❄️ Joint ISO-NE/NEPOOL FERC Filing
- ❄️ Objective is to maintain reliability during the cold weather months of December – February

Joint ISO-NE/NEPOOL FERC Filing
Winter 2013/14 Reliability Program

[ER13-1851-000](#)

[ER13-1851-000 amendments](#)




[ER13-2266-000 Bid Results](#)

[ER13-1851-000 – Cost Allocation](#)

[ER13-2266-000 Updated Bid Results](#)



Winter 2013/14 Reliability Program

-  Assessment of winter 2013/14 identified need for solution to avert threat to system reliability
-  Under cold weather conditions, New England region could need about 2.4 Million MWh of oil fired generation
-  Concern that dual fuel and oil-only resources would not have sufficient fuel to allow for reliable operation during extended or repeated periods of cold weather





Winter 2013/14 Reliability Program

- ❄️ Winter Reliability Program has four components
 - Oil Inventory Service
 - Incentives for Dual Fuel Units
 - Demand Response Program
 - Market Monitoring Changes
- ❄️ To provide service under the program, Market Participants submitted bids to the ISO
- ❄️ ISO evaluated bids; selected participants to supply service
 - Bids to be paid as offered; no clearing prices for this program
 - \$75 Million for the three month period

Winter 2013/14 Reliability Program Settlement Considerations



- ❄ Program costs for three months (December – February)
- ❄ Costs will be allocated to **Real Time Load Obligation (RTLO)** *
- ❄ The pro-rata allocation is performed using the ratio of each Market Participant's total RTLO for the month to the New England total RTLO for the month
 - Allocate \$25 Million each month for the three months

* *Excluding RTLO associated with Dispatchable Asset Related Demand pumping load.*



Per Forum discussion, for informational purposes: Historical RTLO posted [here](#).

Winter 2013/14 Reliability Program

Settlement Considerations



- ❄ The Financial Assurance Policy will not apply to the Winter Reliability provisions (Appendix K)
 - A payment default would be allocated to payees, not socialized to all Market Participants
 - Charges and credits will not appear on same bill
 - Charges will be collected, and then credits paid out
- ❄ Charges will be billed on a monthly basis
- ❄ Credits will be paid on a monthly basis, one month subsequent to the charge collection

Winter 2013/14 Reliability Program

Settlement Considerations



Program Operating Month	Program Charges Billing Month	Program Credits Billing Month	Penalty Settlements, As Applicable Billing Month
December 2013	January 2014	February 2014	February 2014
January 2014	February 2014	March 2014	March 2014
February 2014	March 2014	April 2014	April 2014



- Program Charges are billed to Participants with Real Time Load Obligation
 - \$25 Million/Month for each of the three Winter Reliability Program months (Dec – Feb)
 - Demand Response Energy Charges, if applicable, will be billed monthly; allocation is pro-rata on hourly RTLO in each hour of the Demand Response dispatch
- Program Credits are paid to Participants providing Winter Reliability Service
- Program Penalties are settled as follows:
 - If a Winter Reliability Service provider incurred penalties, provider is charged for those penalties
 - Penalties are paid to Participants who were charged for the program operating month

Winter 2013/14 Reliability Program

Settlement Considerations



- Standard Settlement MIS reporting for details on charges and credits in Monthly Bills
- There will be separate MIS reports for the charges and for the credits
- There will be separate invoice line items for the charges and for the credits



Winter 2013/14 Reliability Program

Settlement Considerations



Settlement and Billing Reference Guide

MIS File Name	MIS Report Name	Invoice Line Item
SS_WRGENMP	Winter Reliability - Gen Monthly Payments	Winter Gen Monthly Pymt
SS_WRGENMC	Winter Reliability - Gen Monthly Charges	Winter Gen Monthly Chg
SS_WRGENDPP	Winter Reliability - Gen Daily Penalty Payments	Winter Gen Daily Penalty Pymt
SS_WRGENDPC	Winter Reliability - Gen Daily Penalty Charges	Winter Gen Daily Penalty Chg
SS_WRGENPBPP	Winter Reliability - Gen Per/Barrel Penalty Payments	Winter Gen P/Brl Penalty Pymt
SS_WRGENPBPC	Winter Reliability - Gen Per/Barrel Penalty Charges	Winter Gen P/Brl Penalty Chg
SS_WRDRMP	Winter Reliability - DR Monthly Payments	Winter DR Monthly Pymt
SS_WRDRMC	Winter Reliability - DR Monthly Charges	Winter DR Monthly Chrg
SS_WRDREP	Winter Reliability - DR Energy Payments	Winter DR Energy Pymt
SS_WRDREC	Winter Reliability - DR Energy Charges	Winter DR Energy Chrg
SS_WRDRNPP	Winter Reliability - DR Non-performance Payments	Winter DR Non-perf Pymt
SS_WRDRNPC	Winter Reliability - DR Non-performance Charges	Winter DR Non-perf Chrg

- *Invoice Line Items will be detailed in the Bill Job Aids for the monthly bills (Dec – Feb)*
- *Participants receive MIS reports as applicable, e.g.:*
 - *Gen Monthly Payments report will be issued to Participants providing oil inventory service*
 - *Gen Monthly Charges report will be issued to Participants with RTLO during the month*

Winter 2013/14 Reliability Program

Settlement Considerations



- ❄ Dual fuel units eligible for Net Commitment Period Compensation (NCPC) for fuel switch demonstration test
 - Demonstration period started in October
- ❄ The NCPC for these tests charged to RTLO *
- ❄ Credits/Charges have been included in the applicable hourly services bills
- ❄ MIS Reports for NCPC for fuel switch demonstrations
 - ❄ SD_RTNCPCPMT, SR_RTNCPCSTL – compensation for generator performance audits
 - ❄ SD_WRNCPCDFST – compensation for fuel switch

* Excluding RTLO associated with Dispatchable Asset Related Demand pumping load.

Questions



Net Commitment Period Compensation (NCPC)

*Local Second Contingency Protection Resource
(LSCPR) Cost Allocation**



- Joint ISO-NE/NEPOOL
FERC Filing
- Objective is to allocate all
LSCPR NCPC costs to
Real Time load

Joint ISO-NE/NEPOOL FERC Filing
NCPC LSCPR Allocation

[ER14-584-000](#)

** FERC acceptance pending; filed 12/9/2013.*

NCPC LSCPR Cost Allocation

- Changes to NCPC LSCPR cost allocation
 - Allocation of Day Ahead (DA) NCPC LSCPR costs and Real Time (RT) NCPC LSCPR costs to the same daily Real Time Load Obligation (RTLO) allocator*
 - Eliminate all DARD pumping load from the allocation of NCPC LSCPR costs
- ISO Day-Ahead Market Modeling Change
 - Local second contingency protection requirements will only be satisfied by physical resources, reducing the need for supplemental LSCPR commitment
- Cost allocation change
 - Reflects the reason that physical resources are being committed, which is to meet the expected local second contingency protection requirements that will occur in real time for specific locations

* DA NCPC LSCPR costs will be included in the monthly LSCPR evaluation per Market Rule 1 Section F.3.2.16 (b)

NCPC LSCPR Cost Allocation

- MIS report modifications
 - SR_DANCPCSTLSUM
- DA NCPC MIS report timing
 - Reports to be released with RT Energy on 3rd business day after the operating day

RECENT MARKET CHANGES – UPDATE



- Forward Capacity Market – Shortage Event Trigger

Forward Capacity Market

Shortage Event Trigger



- Joint ISO-NE/NEPOOL
FERC Filing
- Objective is to expand the
definition of FCM
Shortage Event trigger

Joint ISO-NE/NEPOOL FERC Filing
*Forward Capacity Market – Modification
of Shortage Event Definition*

[ER13-2313-000](#)

Forward Capacity Market

Shortage Event Trigger



Previous Shortage Event Trigger

30 minutes of
10 minute reserve
deficiency

New Trigger

30 minutes of
30 minute reserve
deficiency

- Effective date: November 3, 2013
- Any future shortage events reflected in settlements
 - MIS report SD_FCMPREAVAIL issued only for shortage events

Questions



DIVISIONAL ACCOUNTING



Divisional Accounting Recap

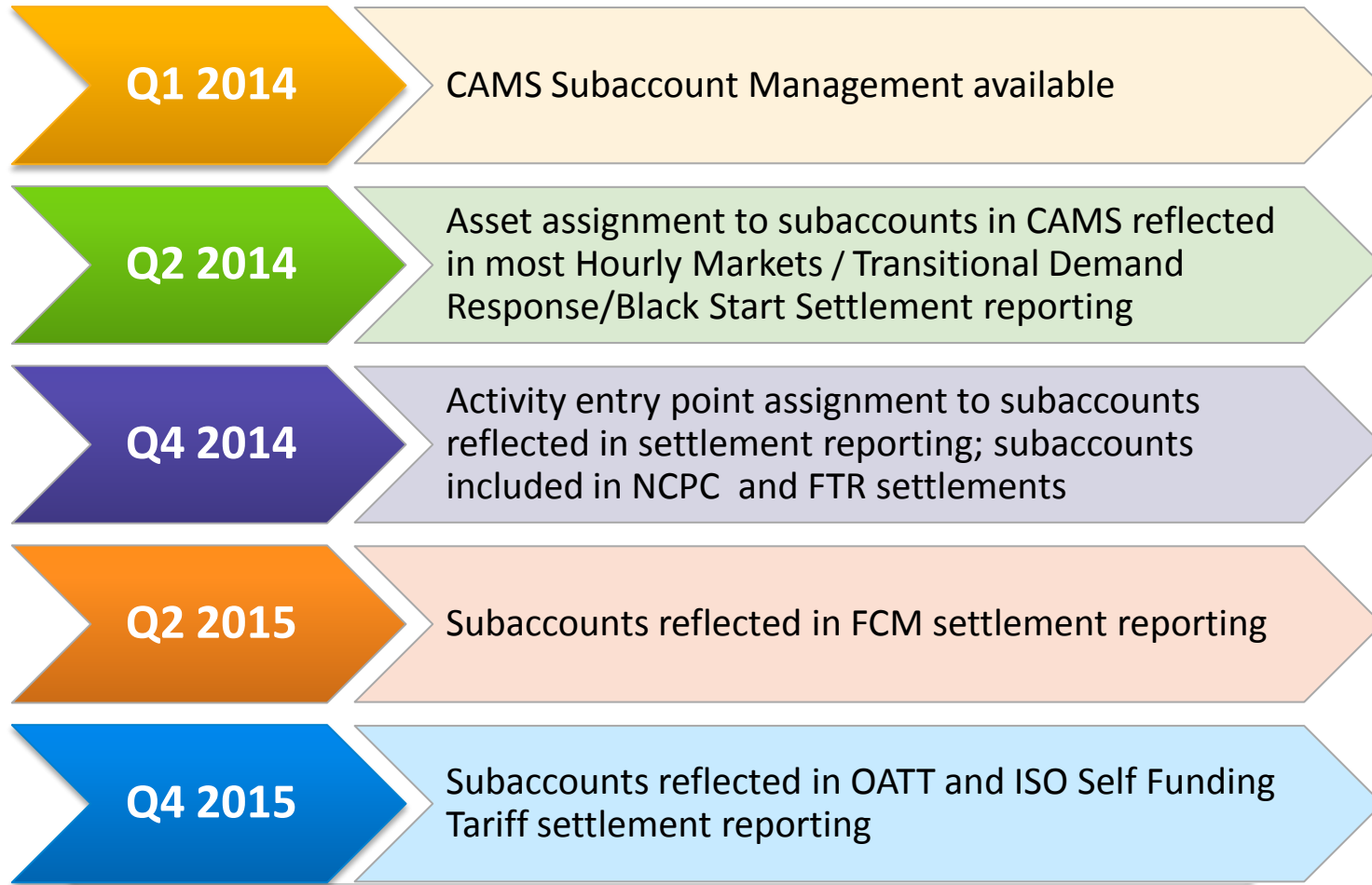
- ISO's current settlement system provides **one** account for each Market Participant.
- Market Participants have requested a Divisional Accounting option.
- ISO New England is working on software enhancements to fulfill this request.
 - Settlement MIS reports will be augmented with a new section detailing the report activity in Participant defined subaccounts
 - Subaccount activities will “roll up” and total to the same values published in the current settlement reports



[Download materials from the September 2012 \(Q3\) Settlement Issues Forum](#)
for a complete overview
of this topic.

Implementation Plan

Projected Schedule



This schedule may be modified to accommodate competing priorities.

Implementation Plan

Projected Schedule

Q1 2014

CAMS Subaccount Management available

**WebEx training for
CAMS Subaccount Management
will be provided in Q1 2014**

Customer Asset Management System

Welcome to ISO New England's
Customer Asset Management
System

Cisco
webex



Divisional Accounting

Implementation Detail



- 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.
 - NCPC Load Obligation Deviations
 - Forward Reserve Market Failure to Reserve
 - ISO Tariff tiered costs and non-zero ANI transaction units
- ISO will publish the rules for each of these concepts
- The rule for allocation of NCPC Load Obligation Deviations will be reviewed today
 - At the March forum, the implementation rule for the Forward Reserve Market Failure to Reserve concept will be presented

Divisional Accounting



Implementation Detail: NCPC Load Obligation Deviation

- Real Time Economic NCPC charges are currently allocated pro-rata to daily Real Time deviations
 - Real Time deviations include deviations for load obligation, generation imports and incremental offers
 - RT NCPC and the RT deviation allocator are pool-wide concepts
 - No locational determinants for either concept
- Real Time deviations include Load Obligation Deviations
 - A Participant's hourly Load Obligation Deviations are netted across all locations, the hourly deviation is set equal to the absolute value of this net number
 - This is different from hourly Generation deviations, which are calculated as absolute values at each location and then summed

Divisional Accounting



Implementation Detail: NCPC Load Obligation Deviation

- Example of and Generation Deviation and Load Obligation Deviation Calculations

Participant ABC - January 1, 2014, Hour Ending 0100				
Generation Deviation				
Location	Cleared Day Ahead Generation (MWh)	Actual Metered Generation (MWh)	Generation Deviation [Actual - DA] (MWh)	Absolute Value Generation Deviation (MWh)
Gen Node X	300	270	-30	30
Gen Node Y	200	210	10	10
Total			-20	40

Participant XYZ - January 1, 2014, Hour Ending 0100			
Load Obligation Deviation			
Location	Day Ahead Load Obligation (MWh)	Real Time Load Obligation (MWh)	Load Obligation Deviation [RT - DA] (MWh)
NEMA	-200	-230	-30
SEMA	-100	-90	10
Total			-20
Absolute Value			20

Note: The generator deviation determination is subject to multiple formula steps; the calculation shown in the table is one example of the determination outcome. (Market Rule 1, Appendix F, Section 3.2.15 (a) – (d))

Divisional Accounting



Implementation Detail: NCPC Load Obligation Deviation

- A Participant that has Load Obligations in different load zones may choose to assign those obligations to different subaccounts
 - At the Participant Account level, the Load Obligation deviation will reflect the netting
 - At the subaccount level, the Load Obligation deviation cannot be calculated
 - A mechanism to allocate the Participant deviation is necessary
- Consider a simple example
 - Participant is a Load Serving Entity
 - Participant's portfolio consists of load assets in two load zones in Massachusetts
 - Participant has created two subaccounts to reflect its portfolio by load zone
 - The allocation mechanism will be illustrated on the next slide...

Divisional Accounting

Implementation Detail: NCPC Load Obligation Deviation

Load Obligation Deviation - Subaccount Allocation Example								
Participant XYZ - January 1, 2014, Hour Ending 0100								
Participant Subaccount Designation	Location	Day Ahead Load Obligation (MWh)	Real Time Load Obligation (MWh)	Load Obligation Deviation (MWh)	Absolute Value of Subaccount Deviation (MWh)	Subaccount Pro-Rata Deviation Share (%)	Participant Load Obligation Deviation for Hour (MWh)	Subaccount Pro-Rata Load Obligation Deviation Share (MWh)
Mass. Load #1	NEMA	-200	-230	-30	30	75%	20	15
Mass. Load #2	SEMA	-100	-90	10	10	25%	20	5
Total				-20	40	100%		20
Absolute Value					20			

Participant Load Obligation Deviation for Hour

Subaccount Load Obligation Deviation for Hour

- This determination will be performed for each of the 24 hours in the day.
- The hourly subaccount Pro-Rata Load Obligation Deviations will be summed to determine the daily share of Load Obligation Deviations for the subaccount.

Questions



ADDITIONAL INFORMATION

Settlement Issues Forum Dates for 2014



Next Settlements Issues Forum

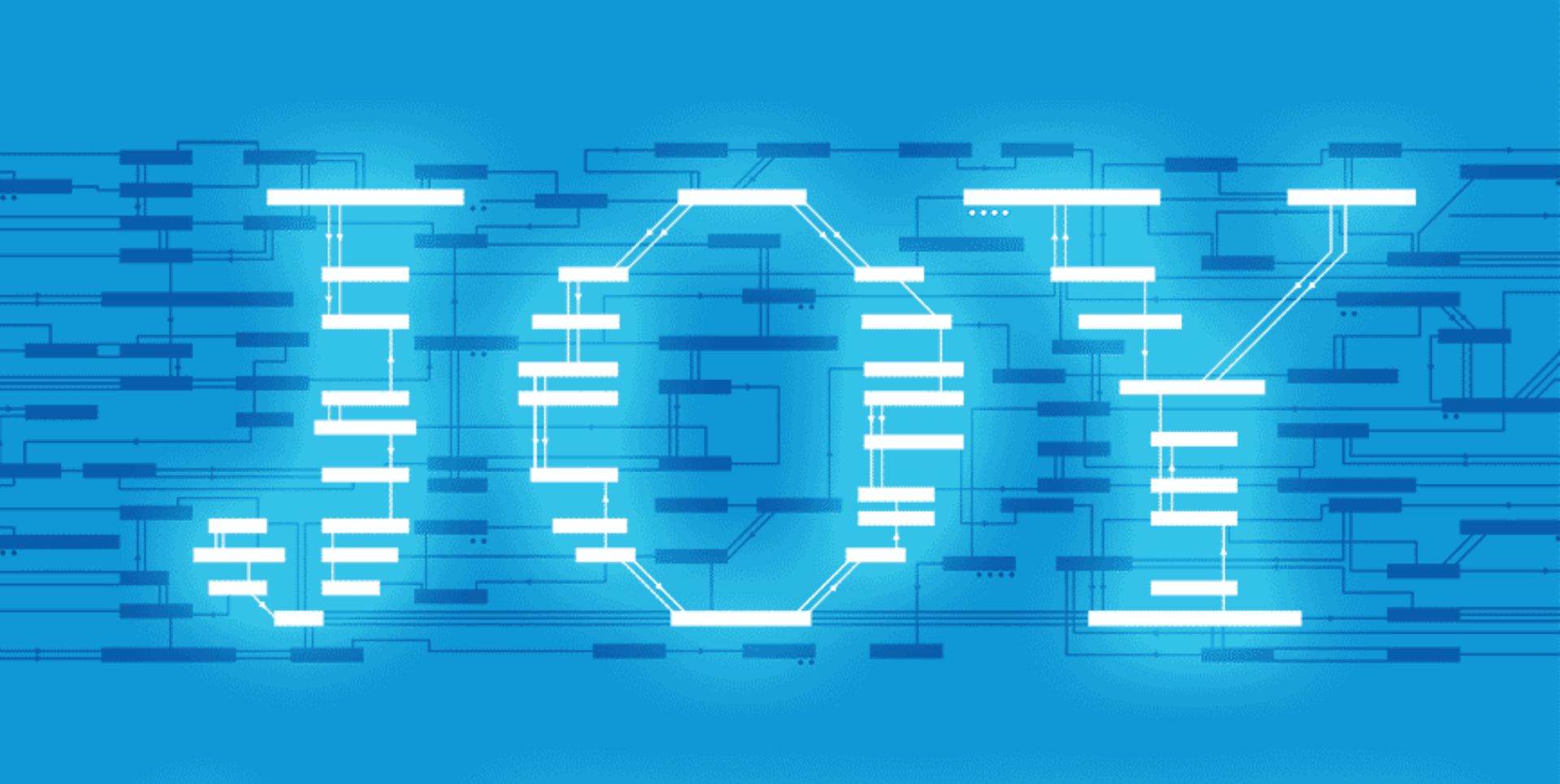


Schedule to prevent conflicts with Markets Committee meeting?

- Expect to continue to schedule meetings in second week of last month of each quarter
 - *Wednesday schedule in 2014 (Conflicts with MC for 3 of the 4 dates)*
 - *Thursday schedule in 2014 (Conflicts with MC for 2 of the 4 dates)*
- Proposed 2014 schedule:
 - *Friday, March 14*
 - *Friday, June 13*
 - *Friday, September 12*
 - *Thursday, December 11*

Questions & Discussion





Making Every Season Bright

Happy Holidays from ISO New England



Thank you for participating!

Please take a moment to complete a training evaluation.

