



Self-Supply in FCM

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NEPPA Forward Capacity Workshop

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Self-Supply Acronyms

- FCA – Forward Capacity Auction
- FCM – Forward Capacity Market
- ICR – Installed Capacity Requirement
 - Peak Load + Reserve Requirement = ICR
 - Final values to be calculated by Fall 2007
- LSE – Load Serving Entity
- PER – Peak Energy Rent



ISO Definition

- “A Self- Supplied Resource shall offset an equal amount of the load serving entity’s share of Installed Capacity Requirement in the Capacity Commitment Period”

- MR1 – III.13.1.6



Demand Resource

- Load Serving Entities cannot receive self-supply credit for a demand resource, the benefit will be a reduction in the entity's coincident peak load

Location of Resource

- The self-supplied resource must be located in the same capacity zone as the associated load







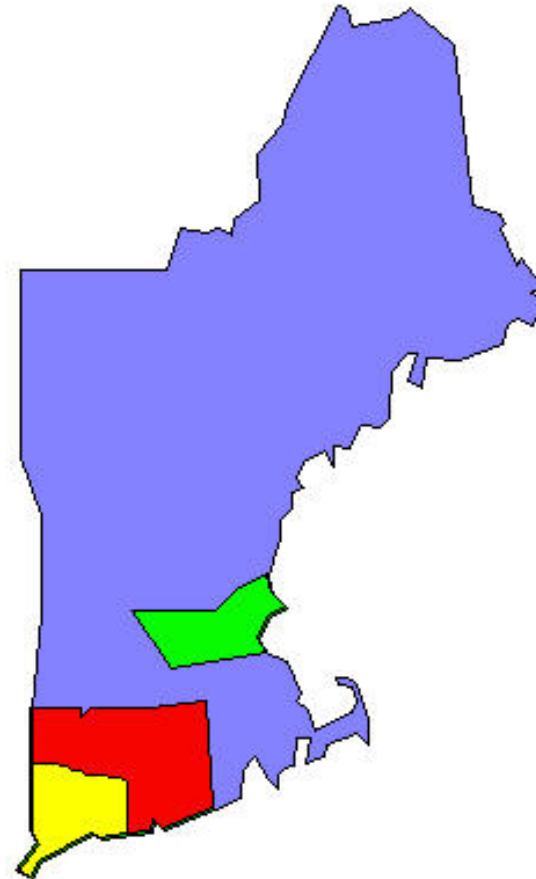
April 24, 2007

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FCM Capacity Zones

-  Rest of System
-  Connecticut
-  SW Connecticut
-  NEMA - Boston





Designation of Resource

- Lead Participant needs to designate in writing to ISO New England what portion of generating capacity will be self-supplied
- The LSE must also provide written confirmation



Over Self-Supply

- The quantity of capacity that a LSE self-supplies cannot exceed the LSE's share of ICR
- A LSE cannot be paid by over self-supplying



Penalties of Self-Supply

- Availability Penalties
 - Self-Supplied resources are still subject to availability penalties if the resource becomes unavailable during a shortage event
 - The associated LSE is responsible for paying any penalties



Examples

- FCA Price Clears at \$5.00
 - Blended Rate to Load: \$5.00

- FCA Price Clears at \$15.00
 - Blended Rate to Load: \$11.50



FCA Price Clears at \$5.00

- LSE ICR Value = 100 MW
 - Self-Supplied Resources = 75 MW
 - Market Resources = 25 MW
 - Carrying Cost of Unit = \$7.50/kW-mnth
 - Blended Rate = \$5.00
-
- Net Cost of Capacity = \$6.88/kW-mnth



FCA Price Clears at \$15.00

- LSE ICR Value = 100 MW
- Self-Supplied Resources = 75 MW
- Market Resources = 25 MW
- Carrying Cost of Unit = \$7.50/kW-mnth
- Blended Rate = \$11.50

- Net Cost of Capacity = \$8.50/kW-mnth



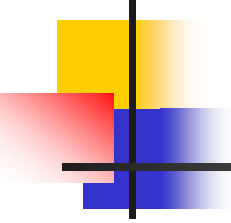
Reasons to Self-Supply

- Gets Self-Supplied portion out of market
- Reduces Market Purchase of Capacity
- Provides Price Certainty
- Budget Stability
- Avoid PER Adjustments



Risks of Self-Supply

- Self-Supply vs. Market
- Financial Penalties for units that are unavailable during capacity shortages
- Cannot enter any Reconfiguration auctions
- Designation of Self-Supply is for one year intervals (June – May)



QUESTIONS?