

# Annual Reconfiguration Auctions & Bilaterals

WebEx Broadcast  
October 6, 2011

## Disclaimer for Market Participant Training

ISO New England (ISO) provides training to advance participant and stakeholder understanding.

Since not all issues and requirements are addressed by the training, participants and other stakeholders should not rely solely on this training for information but should consult the effective *Markets, Services and Transmission Tariff* (“Tariff”) and the relevant *Market Manuals, Operating Procedures and Planning Procedures* (“Procedures”).

In case of a discrepancy between training provided by ISO and the Tariff or Procedures, the meaning of the Tariff and Procedures shall govern.

# Today's Presenter

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# Course Objectives

- Present information on Reconfiguration Auctions and Bilaterals
  - Annual Reconfiguration Auctions (ARA)
  - Annual Bilaterals
  - Monthly Reconfiguration Auctions
  - Monthly Bilaterals



# Topics Covered

- ✓ Schedule and Process
- ✓ Annual Qualified Amounts
- ✓ Annual Reconfiguration Auction Process
- ✓ Annual Bilaterals
- ✓ Monthly Qualified Amounts
- ✓ Monthly Reconfiguration Auctions
- ✓ Monthly Bilaterals
- ✓ User Guides

# Schedule and Process

# Reconfiguration Auctions/Bilaterals

## Annual and Monthly

- ARA/Bilateral calendar for Capacity Commitment Periods can be found on the ISO website:
  - [Home -> Markets > Other Markets Data > Forward Capacity Market > Calendars and Auction Results](#)

The screenshot shows the ISO New England website interface. The top navigation bar includes the ISO logo, a search box, and links for Site Index and Site Map. The left sidebar contains a menu with categories like Markets, Other Markets Data, Historical Data, and System Operations. The main content area is titled 'Capacity Commitment Period 2013-2014' and includes a breadcrumb trail: Home > Markets > Other Markets Data > Forward Capacity Market > Calendars and Auction Results. Below the title, there is a description of the period and a link to 'Forward Capacity Auction 4'. On the right side, there are sections for 'AT A GLANCE' with links to reports and calendars, and 'RELATED INFORMATION' with a list of documents. A red arrow points to the '2013 Annual & Monthly FCM Events [DOC]' link in the Related Information section.

# Timeline Example

## 2013 Annual FCM Events

Activity	CP 2014-15 Bilateral Period 1 ARA2	CP 2013-14 ARA3	CP 2015-16 Bilateral Period 1 ARA1	CP 2014-15 ARA2	CP 2015-16 ARA1	CP 2014-15 Bilateral Period 2 ARA2	CP 2015-16 Bilateral Period 2 ARA1	CP 2014-15 Bilateral Period 1 ARA3
Post Schedule	January 9, 2013	February 1, 2013	March 8, 2013	April 3, 2013	May 6, 2013	June 7, 2013	July 8, 2013	November 6, 2013
Announce ISO Participation	N/A	February 14, 2013	N/A	April 17, 2013	May 17, 2013	N/A	N/A	N/A
Announce Bid/Offer Limits	January 24, 2013	February 15, 2013	March 22, 2013	April 18, 2013	May 21, 2013	June 21, 2013	July 23, 2013	November 21, 2013
Submission Window Opens	February 4, 2013	March 1, 2013	April 2, 2013	May 1, 2013	June 3, 2013	July 1, 2013	August 1, 2013	December 2, 2013
Submission Window Closes	February 8, 2013	March 5, 2013	April 8, 2013	May 3, 2013	June 5, 2013	July 8, 2013	August 7, 2013	December 6, 2013
Results Posted by:	March 15, 2013	March 19, 2013	May 13, 2013	May 17, 2013	June 19, 2013	August 12, 2013	September 12, 2013	January 10, 2014

Note: Refer to [Manual 20](#) for information on dates related to FCA events.

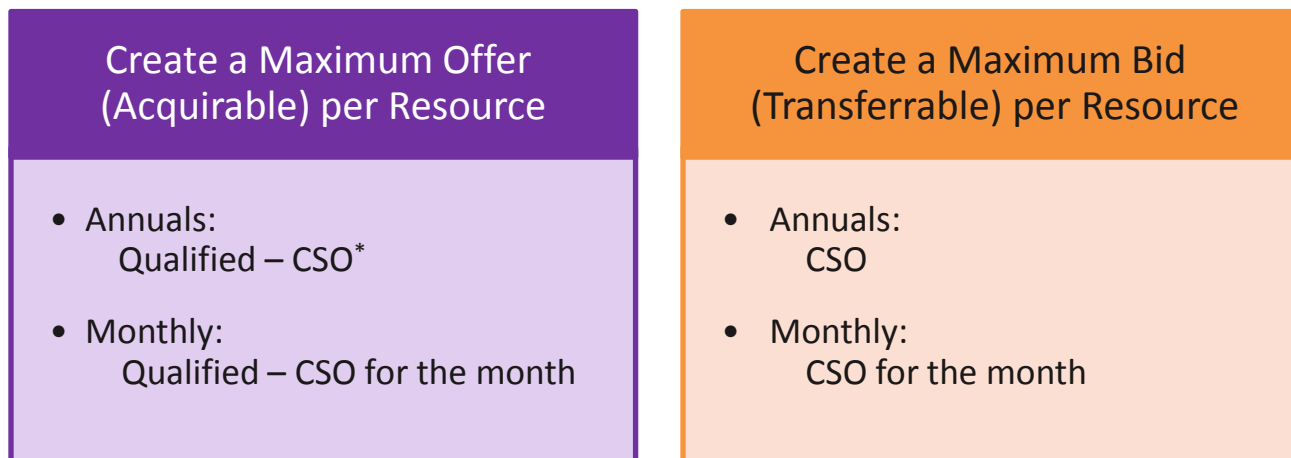
## Monthly FCM Events: CP 2013-2014

Month	June	July	August	September	October	November	December	January	February	March	April	May
Activity												
Post Schedule (CSO Bilateral Period and RA)	Mar 28, 2013	May 1, 2013	May 29, 2013	Jul 1, 2013	Jul 31, 2013	Aug 29, 2013	Oct 1, 2013	Oct 28, 2013	Nov 27, 2013	Dec 31, 2013	Jan 29, 2014	Feb 26, 2014
Bilateral Period Opens	Apr 12, 2013	May 14, 2013	Jun 12, 2013	Jul 12, 2013	Aug 13, 2013	Sep 12, 2013	Oct 15, 2013	Nov 13, 2013	Dec 12, 2013	Jan 14, 2014	Feb 12, 2014	Mar 12, 2014
Bilateral Period Closes	Apr 16, 2013	May 15, 2013	Jun 13, 2013	Jul 15, 2013	Aug 14, 2013	Sep 13, 2013	Oct 16, 2013	Nov 14, 2013	Dec 13, 2013	Jan 15, 2014	Feb 13, 2014	Mar 13, 2014
Results Posted by:	Apr 19, 2013	May 21, 2013	June 19, 2013	Jul 22, 2013	Aug 21, 2013	Sep 19, 2013	Oct 22, 2013	Nov 19, 2013	Dec 19, 2013	Jan 22, 2014	Feb 19, 2014	Mar 19, 2014
Auction Opens	Apr 22, 2013	May 22, 2013	Jun 20, 2013	Jul 23, 2013	Aug 22, 2013	Sep 20, 2013	Oct 23, 2013	Nov 20, 2013	Dec 20, 2013	Jan 23, 2014	Feb 20, 2014	Mar 20, 2014
Auction Closes	Apr 23, 2013	May 23, 2013	Jun 21, 2013	Jul 24, 2013	Aug 23, 2013	Sep 23, 2013	Oct 24, 2013	Nov 21, 2013	Dec 23, 2013	Jan 24, 2014	Feb 21, 2014	Mar 21, 2014
Results Posted by:	Apr 30, 2013	May 31, 2013	Jun 28, 2013	Jul 31, 2013	Aug 30, 2013	Sep 30, 2013	Oct 31, 2013	Nov 27, 2013	Dec 31, 2013	Jan 31, 2014	Feb 28, 2014	Mar 28, 2014

# ISO Process

## *ARAs and Bilaterals*

ISO publishes updates of Qualified Amounts for Reconfiguration Auctions/Bilaterals in Forward Capacity Tracking System (FCTS)



*You cannot shed all of your CSO through an Annual Bilateral contract or Annual Reconfiguration Auction for a resource that has higher winter CSO than summer CSO:*

bid amount = the minimum of monthly CSOs  
offer amount = the minimum of monthly (Qualified - CSO)

\* capacity supply obligation

# ISO Process

## *Bilaterals/Reconfiguration Auctions*



# Participant Process

## *ARAs and Bilaterals*

Submit **Bids/Offers**  
during the  
submission window

Submit **Bilaterals**  
during the  
submission window



# Annual Qualified Amounts

# Qualification Process:

## *Annual Reconfiguration Auctions and Bilaterals*

- For a Capacity Commitment Period, ISO conducts:
  - ARA 1 in June (beginning with Capacity Commitment Period 2015-16)
  - ARA 2 in May
  - ARA 3 in March
- Corresponding Bilaterals are conducted before and after an ARA, except for ARA 3 (only before, not after)
- Qualification process for both Bilaterals and the Annual Reconfiguration Auctions is the same
  - Qualification different depending on the ARA being conducted

# Qualification Process

## *New Resources*

- Assuming new resources have cleared [in full or part] in previous Forward Capacity Auction (FCA) or continues Critical Path Schedule (CPS) monitoring for qualified but unobligated capacity, the resource may maintain its qualified megawatt (MW)
  - Megawatt (MW) are qualified for previous Commitment Periods if proposed commercial operation date for this new resource was prior to the Commitment Period for the FCA in which it clears. If the proposed commercial operation date is earlier than the start date of the previous Commitment Period, it will be qualified to participate in that Commitment Period too.
  - For instance, if a resource was qualified in the new qualification process for CP 2013-14 and cleared in the 2013-14 FCA, but had a commercial operations date of March 2012, it would then qualify for the 2012-13 Capacity Commitment Period.

# Qualification Differences

## *FCA / ARA 1 and ARA 2 / ARA3*

- Example: Non-intermittent commercial generators
  - **FCA Qualification Process** for existing commercial resources is the median of the five year summer/winter Seasonal Claimed Capability (SCC) values for the summer and winter period
  - **ARA1 and ARA2 Qualification** will reflect the higher of the resource's summer Qualified Capacity as calculated for the Forward Capacity Auction for that Capacity Commitment Period and any summer/winter SCC values for summer/winter periods completed after the Existing Capacity Qualification Deadline
  - **ARA 3 Qualification** for capacity that has achieved commercial operation, the resource's summer/winter SCC value in effect after the most recently completed summer/winter period (MR1, Section III.13.4.2.1.2.2)

# Qualification Differences

## *Third ARA and Significant Decrease*

- For the third ARA, if the SCC of the assets of a resource have tested less than the CSO of the resource, it may create a risk of “significant decrease” as defined in the Market Rule under **Section III.13.4.2.1.3, Adjustment for Significant Decreases in Capacity**
  - Defines the trigger for *significant decrease* as:
    - Biggest shortfall = Maximum of the 12 monthly (CSO - Qualified Capacity)
    - If the biggest shortfall is greater than the lesser of (40 MW or 20% of the CSO during that maximum month) then significant decrease will be triggered

# Qualification Differences

## *Triggering a Significant Decrease*

- If a significant decrease was triggered, the resource Lead Participant has three options:
  1. Submit a Restoration Plan for the resources
  2. Reduce the CSO of the resource [through an Annual Bilateral]

If you do not choose option one or two,  
option three is the only remaining choice



3. Wait for the ISO to put the significant decrease in the third ARA at 2xCONE\*

\* *Cost of new entry*

# Restoration Plan

- [Restoration Plan template](#) for corresponding Capacity Commitment Period
- If a Restoration Plan was accepted, the qualified capacity for the third Annual Reconfiguration Auction, Monthly Reconfiguration Auctions, and Monthly Bilaterals will reflect the restored values as submitted and accepted



## Important

If Restoration Plan is not submitted prior to the Bilateral window opening, or is not accepted and the significant decrease is not solved through an Annual Bilateral, then the significant decrease will be solved through the submission of a Demand Bid on behalf of the resource at 2xCONE

# Annual Reconfiguration Auction Process

# Purpose of Reconfiguration Auctions

- “Reconfiguring” Capacity Supply Obligations
- Allow those with Obligations to shed them
- Allow those without Obligations to acquire them
- Allow the ISO to sell out of excess (due to floor)
- Allow the ISO to procure additional capacity

## Remember!

Real-Time Emergency Generation (RTEG) resources are prohibited from participating in Reconfiguration Auctions



# Static Double Auction

- Supply Offer and Demand Bids
- Maximize Social Welfare



# Annual Reconfiguration Auction

- Capacity Zones that cleared in the FCA are modeled in all Reconfiguration Auctions
- Local sourcing requirements and maximum capacity limits may be updated from the FCA to the Reconfiguration Auctions
- Clearing prices will be created for each Capacity Zone (and import interface)
- Amounts available to Bid or Offer per resource are available in the FCTS



# Limitations

- Interfaces between Capacity Zones as well as Import interfaces are modeled in the Reconfiguration Auctions
- Auction **MAY** trade CSO from a resource in one Capacity Zone to a resource in another Capacity Zone
  - Resource's Bid/Offer and the auction decide what can “flow” from one Capacity Zone to another Capacity Zone
- Import resources may participate in Reconfiguration Auctions (Offers or Bids) and may be paired with non-Imports if the interface will allow

# Reliability Review Process

## *Annual Reconfiguration Auction*

- Reliability review process for Reconfiguration Auction is an annual review (not monthly) performed in accordance with Planning Procedure No. 10
- Resource may only be rejected in whole (not part)
- Takes into account the resources that have cleared Offers to take on obligations
- Checks the resources starting with the marginal resource during the auction in order to limit the impact on the auction when rejecting
- Resource whose Offer is rejected due to a negative reliability impact receives no economic compensation.
- All transactions shall be studied to ensure there is no violation of NERC, NPCC, or ISO-NE criteria

# ISO Reconfiguration Reviews

## *Financial Assurance (FA)*

- If Bid, as submitted, would create a deficit to the resource (Bid price submitted greater than clearing price from the FCA), this deficit will be held against FA of the resource owner until the end of the reconfiguration review and recalculated based on completed reliability reviews
- If resource Lead Participant does not have adequate FA available to cover all FA requirements, all Bids will be denied



# ISO Reconfiguration Reviews

## *Financial Assurance (FA) (cont.)*

- FA impact of a 2xCONE Bid submitted by ISO
  - Since 2xCONE is greater than the clearing price of the auction, the resource lead may see an increase in their FA.
  - May place some customers at risk of FA suspension if they cannot meet this increase. Therefore, it is best to ensure that available FA will meet additional requirements prior to the close of the Offer/Bid window.
  - FA will be adjusted, as necessary, after the Reconfiguration Auction clears to include only those MW that cleared the auction.

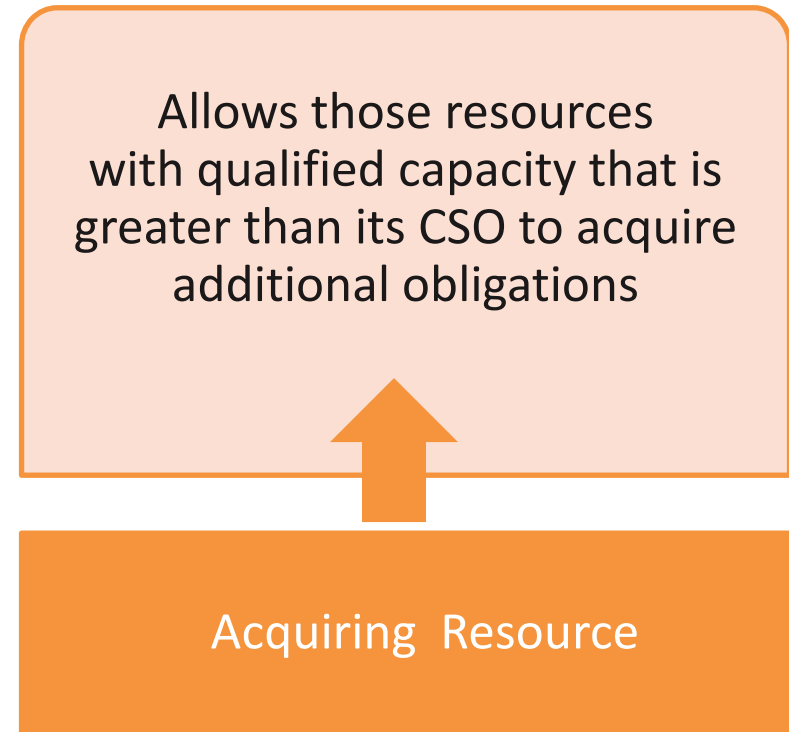
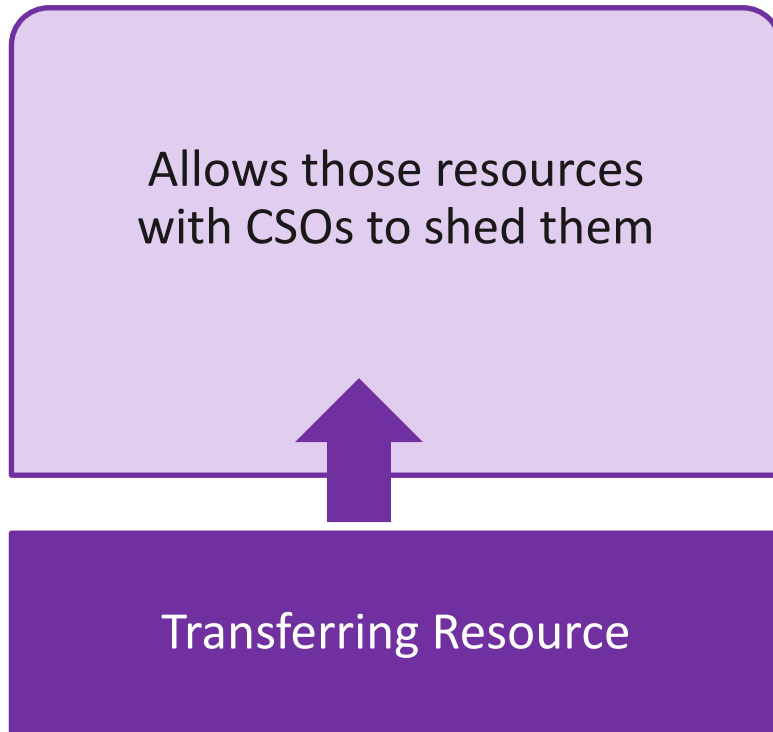
# Annual Reconfiguration Auction

## *ISO Process*

- ISO participation
  - ISO will sell excess (Total CSO > Installed Capacity Requirement (ICR)) into the auction as a set of Supply Offers (on a curve from 0.75 to 0.25 of the FCA clearing price) as defined in MR Section III.13.4.3.(c)
    - Supply Offers cleared against resource Demand Bids effectively decrease total CSO; this reduction will also reduce the overall payments
  - Third Annual Auction is the first point at which the ISO is allowed to sell out of excess; during previous auctions (first and second) the ISO could only procure additional capacity when necessary
- ISO participation on behalf of a resource
  - When ISO submits a 2xCONE Bid for a resource, the Lead Participant for that resource will see that as a non-editable Bid

# Annual Bilaterals

# Annual Bilaterals



# Annual Bilaterals

## *Real-Time Emergency Generation (RTEG)*

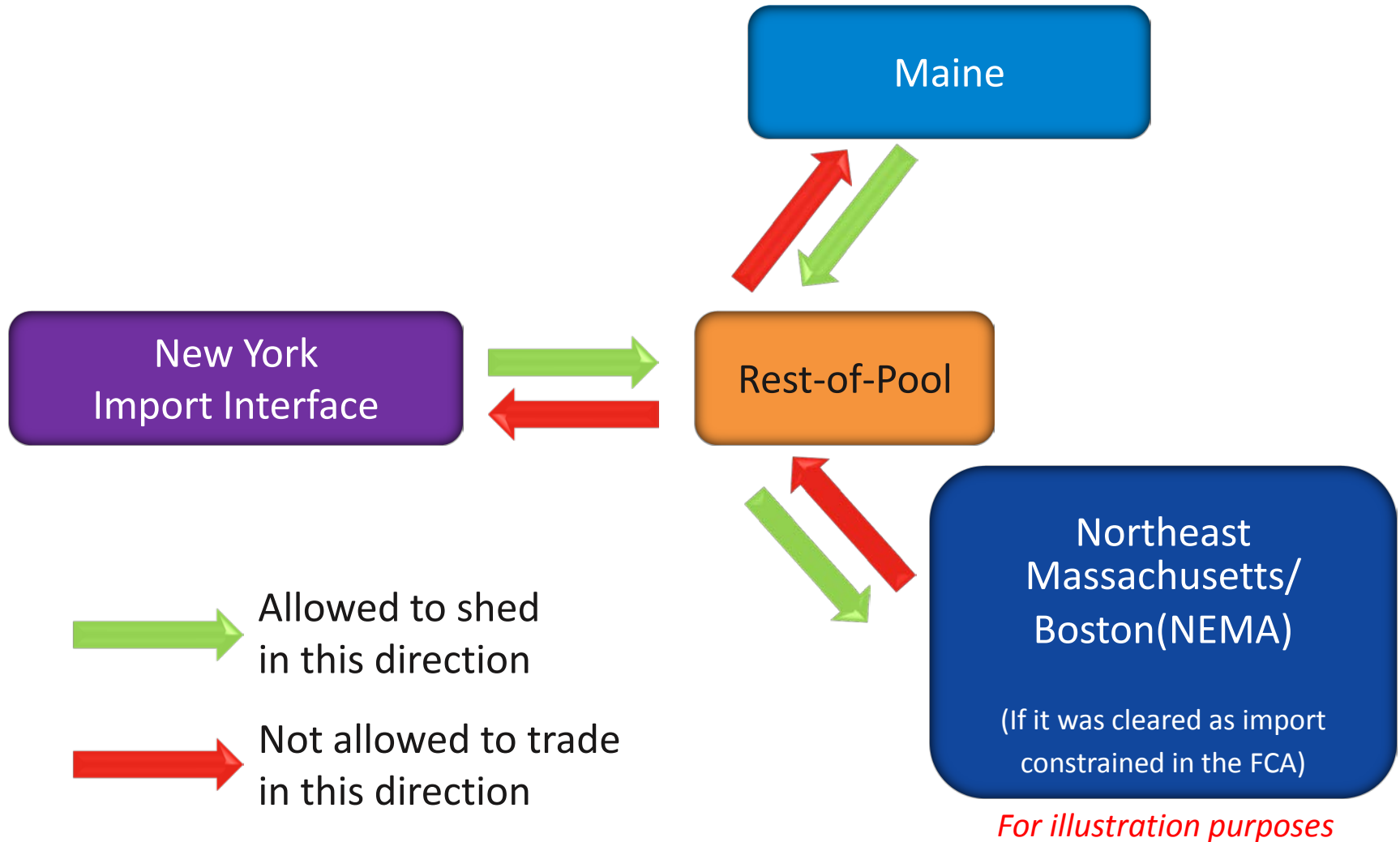
*A Real-Time Emergency Generation Resource may participate in a Capacity Supply Obligation Bilateral as either a Capacity Transferring Resource or a Capacity Acquiring Resource, provided, however, that where a Real-Time Emergency Generation Resource participates in a Capacity Supply Obligation Bilateral as a Capacity Acquiring Resource, the Capacity Transferring Resource must also be a Real-Time Emergency Generation Resource. (MR1, Section III.13.5.1)*

# Annual Bilaterals

- Capacity Transferring Resource and Capacity Acquiring Resource that are parties to a CSO Bilateral must be located in the same Capacity Zone
  - *The path from the Capacity Transferring Resource to the Capacity Acquiring Resource must flow across adjacent Capacity Zones in the direction of the modeled interface constraint(s).* MR 1, Section III.13.5.1.(f))
- *If the Capacity Acquiring Resource is an Import Capacity Resource, then the Capacity Transferring Resource must also be an Import Capacity Resource on the same external interface.* (MR1, Section III.13.5.1.(g))
- Amounts available to Transfer (Bid) or Acquire (Offer) are available in the FCTS

# Bilaterals

## Location Limitations Example



# Submitting Bilaterals to Transfer

- Must identify resource and may indicate price (default price if none is entered is \$0/kW/month)
- Will reduce the amount of CSO for a resource (if approved)
- Will require paying the Bilateral price times the submitted MW amount
  - Will still receive payment from FCA for the quantity cleared at the auction price

# Submitting Bilaterals to Transfer (cont.)

- If price submitted exceeds FCA clearing price or if obligation was achieved through Bilateral or previous Reconfiguration Auction, then the price from those actions will have FA implications
  - Transferring party will have amount above FCA clearing price added to their credit needs

# Confirming Bilaterals as Acquiring Party

- Lead Participant confirms resource quantity information
- Will increase the amount of CSO for a resource (if approved)
- Lead for that resource will receive the Bilateral price, times the submitted MW amount, during the billing of those Commitment Periods
- Expose the acquiring parties to penalties according to the Market Rule (may have penalties that exceed the Bilateral price)
- If confirmation is **not** entered by the Bilateral deadline, this Bilateral **will not** be processed in the FA and reliability reviews

# ISO Bilateral Reviews

## *Financial Assurance*

- If submitted Bilateral would create a deficit in FCM settlements to the transferring resource (Bilateral price submitted greater than clearing price from the FCA, for instance), this deficit will be held against FA of the resource owner until the end of the Bilateral review and recalculated based reliability reviews
- If resource Lead Participant (or Project Sponsor for new resource) does not have adequate credit available to cover all FA requirements, including Bilateral transactions, all Bilaterals will be rejected

# Reliability Review Process

## *Annual Bilateral*

- Reliability review process for Bilateral time stamp order
  - Review order for CSO Bilaterals is based on the confirmed time stamp
- An annual review is performed (not monthly), in accordance with Planning Procedure No. 10
- Resource may only be rejected in whole (for all Bilaterals with the resource being transferred)
- May take into account the resources with cleared Bilateral based on time stamp
- All transactions shall be studied to ensure there is no violation of NERC, NPCC, or ISO-NE criteria

# Monthly Qualified Amounts

# Determine Qualification Values

## *Monthly Reconfiguration Auction and Bilaterals*

- There is not a “qualification process” for Monthly Reconfiguration and Bilaterals
- Monthly reconfiguration auctions will use the same qualified capacity as was used in the third Reconfiguration Auction
- There are some exceptions as defined in the Market Rule

# Monthly Reconfiguration

## *Auction and Bilaterals Qualified MW – Exceptions*

- Non-Commercial Resources:
  - MR Section III.13.4.2.1.4 states ***“A resource that has not achieved Commercial Operation by the offer and bid deadline for a monthly reconfiguration auction may not submit a supply offer for that reconfiguration auction.”***
  - Therefore, prior to opening the Offer and Bid window, the ISO will publish the Qualification MW amounts for all resources. If a resource has not achieved its full commercial operation (and is therefore no longer on CPS monitoring) prior to that window, it will not be allowed to take on additional obligations in the Monthly Reconfiguration or Bilaterals
  - This will mean there will be a lag between commercial operation and ability to take on additional obligations

# Monthly Reconfiguration

## *Auction and Bilaterals Qualified MW – Exceptions (cont.)*

MR Section III.13.4.2.1.4 goes on to state, ***“The amount of capacity up to which a resource may submit a supply offer in a monthly reconfiguration auction shall be the difference (but in no case less than zero) between (i) the resource’s Summer ARA Qualified Capacity or winter ARA Qualified Capacity, as applicable, for the auction month for the third annual reconfiguration auction for the relevant Capacity Commitment Period; and (ii) the amount of capacity from that resource that is already subject to a Capacity Supply Obligation for that month.”***

NOTE: If the summer ARA and winter ARA Qualified Capacities were zero for the Capacity Commitment Period, and the resource became commercial during that Capacity Commitment Period, this rule would still not allow additional supply to be taken on during the Monthly Auctions/Bilaterals.

# Monthly Reconfiguration Auctions

# Monthly Reconfiguration Auctions

## *Purpose*

Allow those resources with CSOs to shed them



Submit Bid

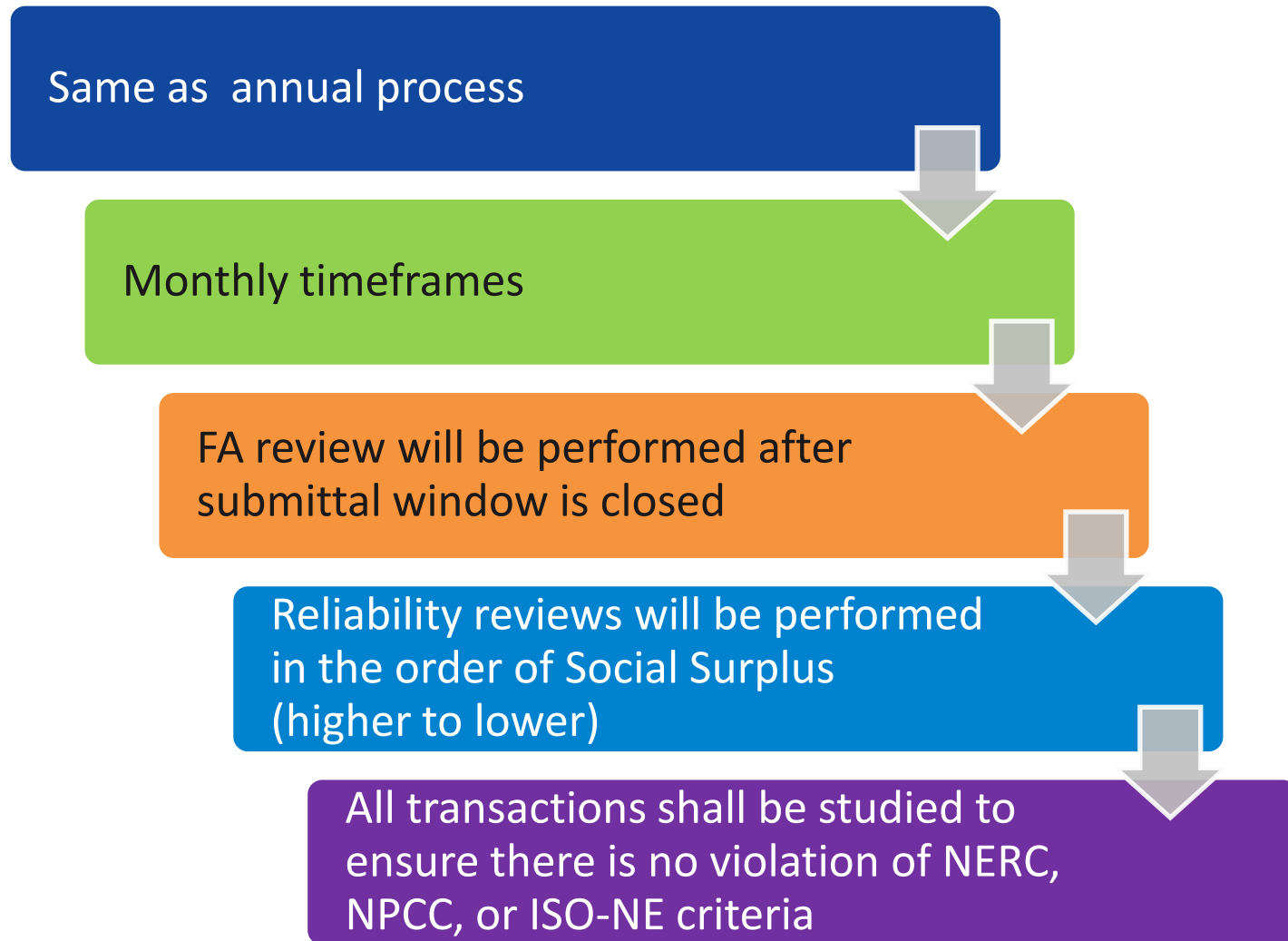
Allow those resources with qualified capacity that is greater than its CSO to acquire additional obligations

as long as the resource is not on an approved maintenance outage during this month



Submit Offer

# Reconfiguration Process



# Monthly Bilaterals

# Purpose of Monthly Bilaterals

Allow those resources with CSO to shed them



Transferring Resource

Allow those resources with qualified capacity that is greater than its CSO to acquire additional obligations

as long as the resource is not on an approved maintenance outage during this month



Acquiring Resource

# Bilateral Process

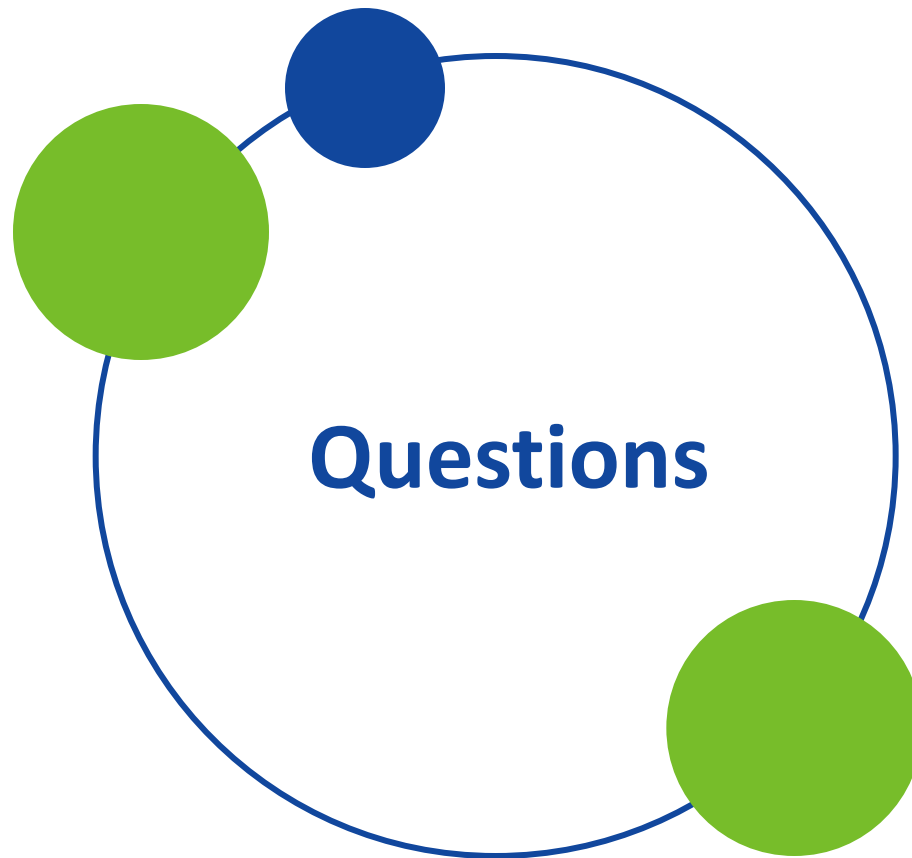
- Same as annual process
- Monthly timeframes
- Submit/confirm by Bilateral window deadline for each Commitment Period (1.5 business day window is open to accept and confirm Bilaterals)
- FA review will be performed and all Bilateral transactions will be rejected if inadequate FA is in place to cover all FA requirements
- Reliability reviews will be performed in time stamp order, after submittal window is closed
- All transactions will be studied to ensure there is no violation of NERC, NPCC, or ISO-NE criteria

# User Guides

# User Guides

- User Guides can be found at: [Support > User Guides](#).
  - [Forward Capacity Market CSO Bilateral Contracts User Interface](#) User Guide provides an overview of the Forward Capacity Market's CSO Bilateral contracts submittal process.
  - [Forward Capacity Market Reconfiguration Auction](#) User Guide provides an overview of the Annual and Monthly Reconfiguration Auction Process including a step by step procedure for submitting Demand Bids and Supply Offers.





# Topics Covered Today

- ✓ Schedule and Process
- ✓ Annual Qualified Amounts
- ✓ ARA Process
- ✓ Annual Bilaterals
- ✓ Monthly Qualified Amounts
- ✓ Monthly Reconfiguration Auctions
- ✓ Monthly Bilaterals
- ✓ User Guides

# Customer Support

- Phone: 413-540-4220
  - Recorded/monitored conversations
- Ask ISO
  - Self-service interface for submitting inquires
  - Accessible through the SMD Applications Homepage
    - Requires a valid digital certificate with the role of Ask ISO/External User
      - Contact your Security Administrator for assistance
- Email: [custserv@iso-ne.com](mailto:custserv@iso-ne.com)
- Fax: 413-535-4156
  - Regular Business Hours
    - Monday through Friday, 7:30 A.M. to 5:30 P.M. Eastern Time





# Evaluations

**If you have questions after the broadcast:**

Customer Support at (413) 540-4220 or e-mail: [custserv@iso-ne.com](mailto:custserv@iso-ne.com)