

NEPA Topic – Background

What problem is being solved?

- Lumpy investment in small LDAs or Revenue certainty/investment support
- The LTA was created around the latter, but could address the former as secondary benefit

What resources are eligible to be awarded a multi-year award?

- New only vs. New & existing
- Operating assumption, outside of lumpy investment in small LDAs, is a new design must accommodate both new and existing resources

What is the nature of participation for both buyers and sellers?

- Voluntary – allows greater flexibility on design approach
- Mandatory – combining with offering to new & existing is more challenging design

What are key design considerations or concerns with combination of mandatory participation and offering to new and existing resources?

- Goal is a contestable auction with sufficient depth/breadth of buyers and sellers
- Wish to avoid adding duration in a thin market at an adverse price that is made broadly available especially involving substantial uplift
- Critical design elements
 - Whether awarded inside or outside BRA
 - Clearing at LDA level (note RTO with locational adder can be OK...)
 - Method of offering back in subsequent BRAs and degree of make-whole payments

NEPA Topic – Long Term Auction (LTA)

Objective

- Establish non-discriminatory auction equally available to existing and new resources
- Eliminate, reduce, or scale back as much as possible existing provision(s) such as NEPA, CapEx adders, EE price persistence, etc. (transition/grandfather issues should be considered)

Current NEPA

- Could eliminate or if necessary keep for small LDAs without broadening

High Level Elements for LTA

- Timing - held each year several months ahead of the BRA, e.g. each February
- Auction - descending clock auction
- Resources - available to existing and planned resources
- Product

ODEC Submission

- RTO level capacity only for two term/volume combinations
- Not for a specific LDA given how boundaries can change
- Generally resources in constrained areas see higher energy margins so not localizing the cleared product to the LTA and more importantly a locational price adder (LPA) via each BRA could still flow through on top of common clearing price
- Participation - mandatory in terms of amount of volume to be cleared if sufficient offers/voluntary in terms of resource participation
- Mitigation/Must Offer/MOPR - none since voluntary non-administrative and contestable auction (from new supply given the volumes)
- Term – includes a 5-year contract and a 10-year contract where the first year of either is the PY covered by the BRA held a few months after the LTA plus the next four or nine PYs
- Auction Volume
 - Determined as a percent of the total RTO reliability requirement (excluding FRR)
 - 2-5% for 5-year contract
 - 1-2% for 10-year contract
- Auction Starting Price - start price is the UCAP price corresponding to IRM-3% from the RTO VRR used in the upcoming BRA
- Auction Clearing Price
 - Each auction's 5-year and 10-year award is paid respective LTA clearing price each PY covered by the LTA which is not related to location of any cleared resource
 - Potential Locational Price Adder (LPA) could be included on top of common clearing price so each BRA the resource is also paid a locational adder as the difference between the location and the RTO price (meaning the LPA changes each year with the BRA while the LTA price stays for the term of the award)
- BRA Interaction - resources cleared in the LTA are self scheduled in each BRA covered by the LTA
- Replacement Rights - resources that clear in the LTA can replace any later shortfall each BRA
- Other RPM Changes - none required, can preserve existing BRA and Incremental Auction design