

Revised Preliminary Straw Proposal
Intermittent Resource Capacity Treatment in Forward Capacity Auction

Purpose: To establish a distinct method to determine the Qualified Capacity MW of intermittent resources in the Forward Capacity Auction (“FCA”)

Background: The FCA requires that potential capacity resources (Existing or New) must submit qualification information no later than the qualification deadline in order to receive Qualified Capacity MW credit for their capacity resource. The Settlement Agreement, dated March 6, 2006, directed that a method should be developed to determine the Qualified Capacity MW of intermittent resources in a manner that recognizes contribution to system reliability over the winter and summer periods. The method needs to be developed by the fourth quarter of 2006. In addition, because these resources are exempt from availability penalties and/or the poor performing resource treatment imposed on all other capacity resources, the method should consider how to address poorly performing intermittent resources. Intermittent resources include wind, solar, and run-of-river hydro. The Market Rules should address how intermittent resources will be defined as New Capacity in the FCA.

Discussion: The FCA should allow intermittent capacity (“IC”) resources to submit Qualified Capacity MW offers during the primary and reconfiguration auctions *in the same manner* as all other potential capacity resources, which are set equal to their Summer Seasonal Claimed Capability. IC resources will not be subject to the application of an Availability Metric as applied to all other Qualified Capacity MW resources. A suggested method to derive an amount of Qualified Capacity MW that can be offered by an IC resource through the FCA primary or reconfiguration auctions could be as follows;

Winter Period Qualified Capacity MW = *The IC resources median amount (MW) of ~~on peak (non holiday hours ending 08-22)~~ interconnected hourly generation flow during the Winter Period Reliability Hours over the previous 8 month winter period (Oct-May). The Winter Period Reliability Hours will consist of the 100 hours with the highest New England System Peak loads during the period plus any hours when the ISO has declared a Shortage Hour event. This value will be averaged over a rolling 3-year period.*

Summer Period Qualified Capacity MW= *The IC resources median amount (MW) of ~~on peak (non holiday weekday hours ending 08-23)~~ interconnected hourly generation flow during the Summer Period reliability Hours over the previous 4 month summer period (June-Sept). The Summer Period Reliability Hours will consist of the 50 hours with the highest New England System Peak loads during the period plus any hours when the ISO has declared a Shortage Hour event. This value will be averaged over a rolling 3-year period.*

*(There would **[not]** be a Peak Energy Rent (PER) subtraction from an IC resource*

capacity payment) (I can go either way on this. Needs to be discussed further. One possibility would be to start without a PER adjustment until the aggregate Qualified Capacity of Intermittent Resources exceeds a pre-defined threshold (such as 10% of the IC Requirement.)

Treatment of New IC Resources: *Parties would be free to specify the appropriate level of ~~The~~ Qualified Capacity MW credit for the first year of a New IC resource for qualification in the FCA, up to an amount ~~will be set~~ equal to [xx]25 % of the proposed IC resource's nameplate capacity. New IC resources, during the qualification process, must select a three year Commitment Period when making an offer as a new Qualified Capacity resource. As part of the qualification process, a new Intermittent Resource must demonstrate the ability to measure and record the applicable wind speed, water flow and/or illumination values throughout the period from an award in the FCA to the start of the FCA Delivery Period during the applicable Reliability Hours. (Note – during the first couple of FCAs there probably won't be any Shortage Hour events so that these will just be the system peak load hours.) This data will be used to establish the Initial Qualified Capacity value for the Intermittent Resource during the First FCA Delivery Period, based on the relevant hourly data and the demonstrated design characteristics of the Intermittent Resource. The Qualified Capacity value will be updated annually based on actual data for subsequent FCA delivery periods. In the event that the Qualified Capacity value of an Intermittent Resource is less than the amount awarded in the FCA, then the owner of the Intermittent Resource will be responsible for making up any shortfalls (i.e. through one of the Reconfiguration Auctions or contracting with another Capacity Resource.)*

In all subsequent FCA auctions the IC resource will be treated as an existing capacity resource.