Parking lot Tier 1 Issues

Short-Term Competitions and Preemption

AGENDA

- Goals
- Overview
- Standards being covered are:
  - Motion 2 - Fixed Capacity Over Term of Request.
    - Tier 1 Service – can shape capacity of request
  - Motion 15 – Full Service Offered
    - Proposal to allow for partial service offer, and requirement to take partial service
- Proposed Language

GOALS

- The discussion is intended to consider the impact of the standards on Tier 1 service entities
- The goal is to understand operational needs to make the market as efficient as possible

MOTION 2

- Motion 2 – A valid Challenger must be for fixed capacity over the term of the request.
- Business Need:
  - NT Service is used to match resource output to serve load. This means that being able to shape request is the most efficient way to represent actual need
  - NT service may not exceed load, don’t want to take more capacity than needed, shaping leaves more capacity for lower tiers
- Operational outcome (current motion language)
  - Larger than needed flat requests for capacity
    - Cons to market efficiency and lower tier counterparties

MOTION 2

- Suggestion:
  - Provide for an exception for shaped Tier 1 requests:
    - "A request by a Tier 1 Service Type, with a shaped demand, may be a valid challenger for any shaped amount greater than zero."
- Benefits for market efficiency and lower tier counterparties
  - Allows for more capacity to be available to market
  - Causes less capacity to be preempted, which eliminates hard ships on lower tier entities who could lose capacity thus dealing with partial reservations

Motion 15

- Motion 15 – ST preemption and competition process will only be considered valid and initiated if the Challenger can be granted in full at the requested capacity and duration based on preemption of lower priority reservation exclusive of all defenders exercising their ROFR
- Business Need:
  - LTF designated resources goes down, need to replace energy created
  - Current language creates incentive for Tier 1 service entity to submit multiple requests of decreasing MW demand to meet the "full service requirement."
    - Example: A Tier 1 Service Type Customer submits a request for short term service, but the request is denied due to insufficient defenders available to award full service. Customer will continue to submit in lesser amounts (e.g. 100, 1 MW requests for a 100 MW need) for Tier 1 service.
  - The use of multiple smaller reservations may lead to clogging the transmission queue (e.g. more time devoted to software processing) and create more competitions, which adds to processing time and counterparty uncertainty

Motion 15

- Suggestion –
  - Exception to Motion 15 –
    - Since there are no ROFR Defenders for Tier 1 Challengers, they shall be able to receive a partial offer of what they would preempt even if their initial request cannot be granted in full. This ability requires the challenger to accept whatever is available up to and including a full offer.
- Benefits of proposal
  - Efficient queue processing by lowering the amount of preemptions that would take place.
  - Efficient management of competition and preemption process by removing incentive to submit multiple Tier 1 service requests with lower demands to meet “full service” requirement.
  - Less uncertainty to types of service preempted by Tier 1.