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October 24-26, 2023
Northampton, MA

How Various Capacity Auctions Work

Lesson 5B: Reconfiguration Auctions and Annual Reconfiguration Transaction (ART)

Forward Capacity Market (FCM 101)



The information contained in this presentation is applicable to FCA 18. If market rules related to FCA 19 and beyond are revised, participants need to comply with any applicable rules as approved by FERC. The ISO anticipates updating its training content for such changes, as time permits.

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Some slides or portions of slides may be intentionally hidden in the printed and posted versions of this presentation.

Topics

Overview

- Timing Preview
- Process
- Capacity Zones and Sloped Demand Curves

Annual Reconfiguration Auctions (ARAs)

- Forward Capacity Auction (FCA) vs. Annual Reconfiguration Auction (ARA)
- Clearing
- Netting
- What Changes Between Auctions
- Reviews
- Example and Results

Annual Reconfiguration Transactions (ARTs)

Monthly Reconfiguration Auctions (MRAs)

Monthly Capacity Supply Obligation (CSO) Bilaterals



Objectives

- Understand annual reconfiguration auction (ARA) inputs and clearing
- Compare annual reconfiguration auctions to the Forward Capacity Auction (FCA)
- Identify input components that change between annual reconfiguration auctions (ARAs)
- Understand annual reconfiguration transactions (ARTs)
- Discuss features of monthly reconfiguration auctions (MRAs) and bilateral periods



Common Acronyms

In Order of Appearance

FCA	Forward Capacity Auction
CCP	Capacity commitment period
CSO	Capacity supply obligation
ARA	Annual reconfiguration auction
ART	Annual Reconfiguration Transaction
MBP	Monthly bilateral period
MRA	Monthly reconfiguration auction
FA	Financial assurance

FCTS	Forward Capacity Tracking System
ROP	Rest of pool
CTL	Capacity transfer limit
MRI	Marginal reliability impact
DCA	Descending clock auction
SDC	Sloped demand curve
QC	Qualified capacity
CSOB	Capacity supply obligation bilateral

Forward Capacity Market Process – What Are We Talking About in this Section?

Qualification

- Establish requirements, zones, and demand curves
- Show of interest submittal for new projects
- Set qualified amounts for capacity resources
- Submit bids and offers

Reconfiguration Auctions

How the buy-side is represented by *updated* sloped demand curves

Qualification

Forward
Capacity
Auction

Reconfiguration
Auctions &
Bilateral
Trading

Capacity
Commitment
Period
(June-May)

Forward Capacity Auction

How ISO, acting as a buying agent for load, is represented on the buy-side of the auction using sloped demand curves

Capacity Commitment Period

How zonal limits may limit monthly CSO transactions (no sloped demand curves)

Overview

Overview

Forward Capacity Auction (FCA) is complete

The FCA is three years and four months before the start of the respective capacity commitment period (CCP)

- Did your resources clear?
- Did your resources partially clear?
- Can your resource meet its obligation?
- What's next?
 - Participate in a reconfiguration auction
 - Enter CSO bilateral

CCP to FCA conversion

CCP 2023 – 2024

-10

FCA 14

This may also be referred to as CCP 14

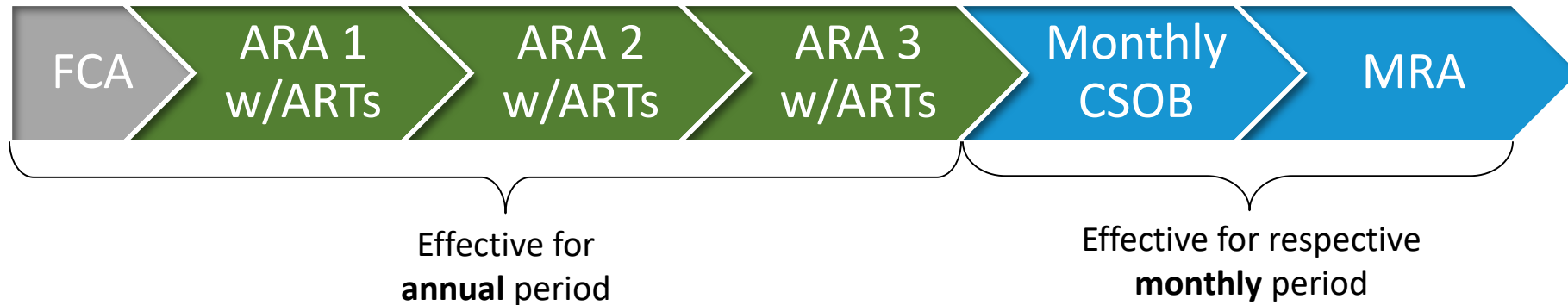


Timing

Many opportunities after Forward Capacity Auction (FCA) to transact CSO



- **Three annual events**
 - Three annual reconfiguration auctions (w/ARTs)
- **Two monthly events**
 - One monthly CSO bilateral period (CSOB)
 - One monthly reconfiguration auction (MRA)



Timing Preview by Capacity Commitment Period

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
FCA		FCA										
1 YEAR AFTER FCA						ARA #1 w/ARTs						
2 YEARS AFTER FCA								ARA #2 w/ARTs				
3 YEARS AFTER FCA			ARA #3 w/ARTs	MBP MRA	MBP MRA	MBP MRA	MBP MRA	MBP MRA	MBP MRA	MBP MRA	MBP MRA	MBP MRA
						CCP						
4 YEARS AFTER FCA	MBP MRA	MBP MRA	MBP MRA									

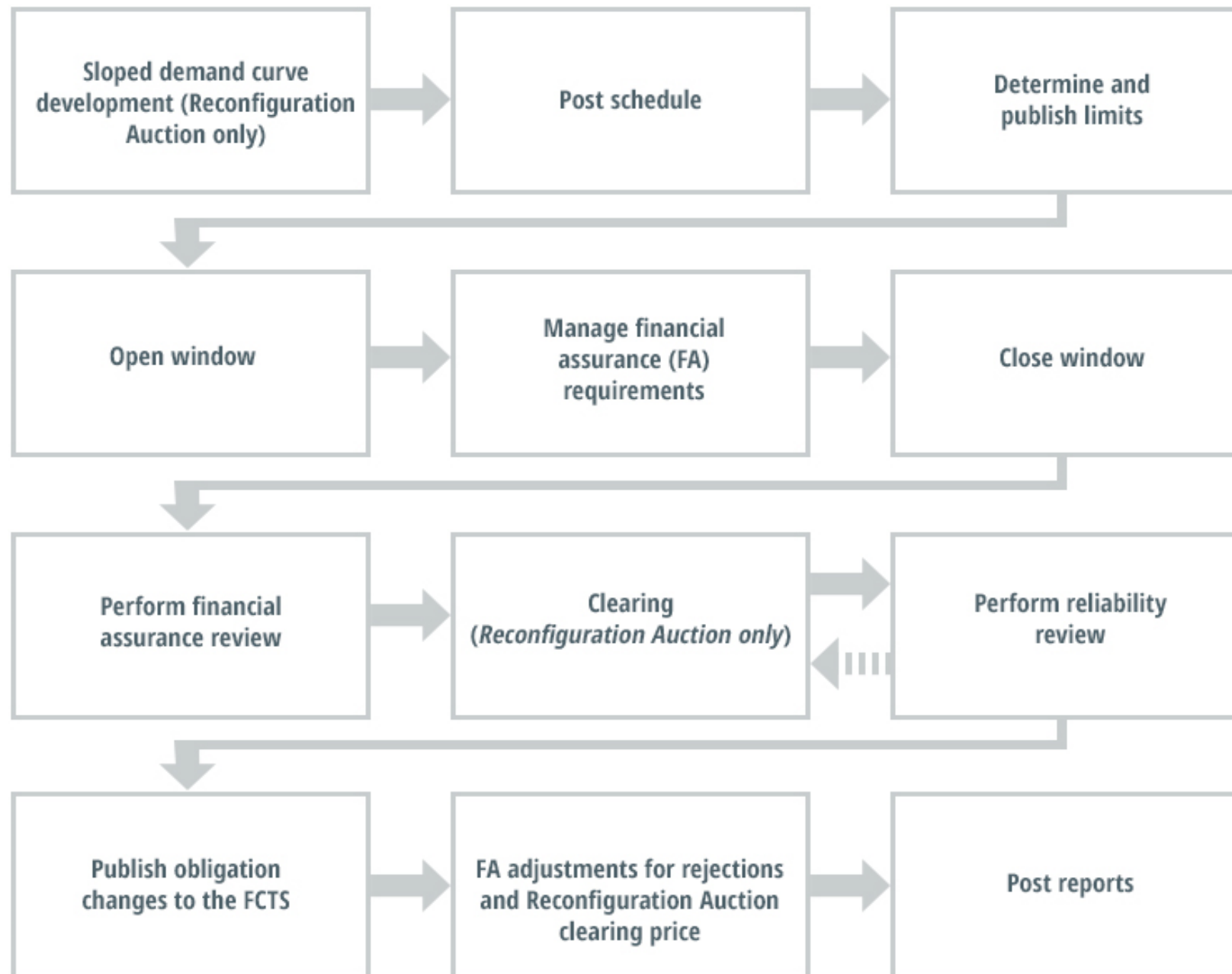
FCA: forward capacity auction
ARA: annual reconfiguration auction
MBP: monthly bilateral period
MRA: monthly reconfiguration auction
CCP: capacity commitment period
ARTs: Annual Reconfiguration Transactions

Timing: Calendar Year

CY 2023	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
CCP 2022-2023	MBP / MRA	MBP / MRA	MBP / MRA									
CCP 2023-2024			ARA 3 w/ARTs	MBP / MRA	MBP / MRA	MBP / MRA	MBP / MRA	MBP / MRA	MBP / MRA	MBP / MRA	MBP / MRA	MBP / MRA
CCP 2024-2025								ARA 2 w/ARTs				
CCP 2025-2026						ARA 1 w/ARTs						
CCP 2026-2027		FCA 17										

Event	Auction Window Length
Annual Reconfiguration Auctions (ARAs)	2.5 days
Monthly Reconfiguration Auctions (MRAs) and Bilateral periods (MBPs)	1.5 days

Process



Capacity Zones & External Interfaces

Capacity zones are established for a Forward Capacity Auction (FCA) and apply to all events for corresponding capacity commitment period (CCP)

- Zones modeled as import, export-constrained, or rest of pool (ROP)
- Nested zone: Maine

Capacity Zones

SENE, Northern New England (NNE), Maine, ROP

- External interfaces use fixed limits [capacity transfer limit (CTL)] for all CCPs



Questions

Annual Reconfiguration Auctions (ARAs)

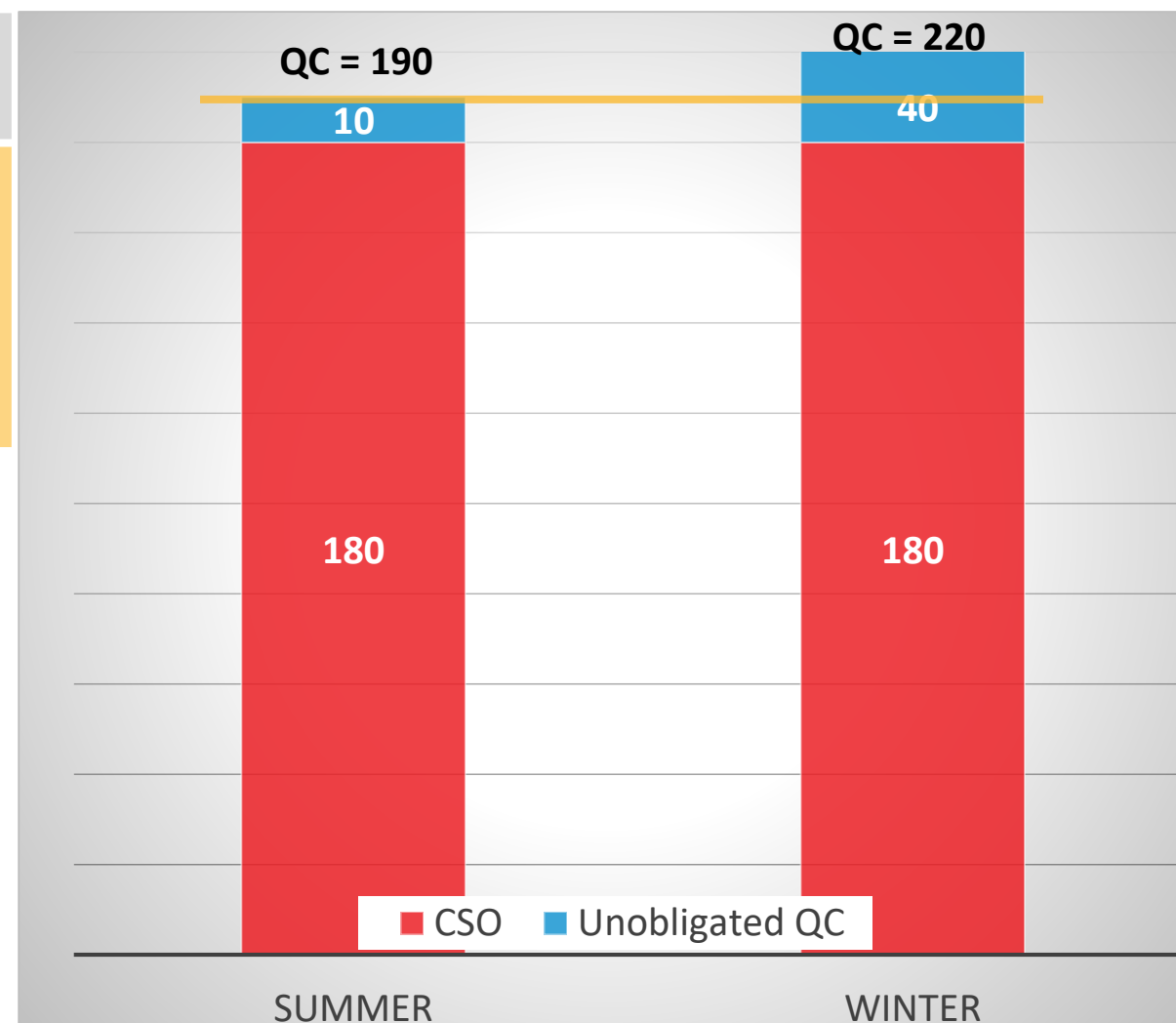
The FCM path of a non-intermittent generator ...



Annual Reconfiguration Auctions – Bid/Offer Limits

	Acquire Max Supply Offer	Shed Max Demand Bid
Annual	Minimum unobligated qualified capacity across all months (10 MW)	Minimum capacity supply obligation (CSO) across all months (180 MW)

Unobligated Qualified Capacity =
Qualified Capacity - Capacity Supply Obligation



Forward Capacity Auction vs. Annual Reconfiguration Auctions

Who is Buying and Selling?

Forward Capacity Auction (FCA)

- MRI-based demand curve is determined representing the **initial value** of capacity
- ISO, acting as agent for load, is the only buyer in the auction as reflected by the MRI-based sloped demand curve
- Participants solely contribute to the supply curve

Annual Reconfiguration Auction (ARA)

- MRI-based demand curve is updated for each ARA, representing the then **current value** of capacity
- ISO, acting as agent for load, allows suppliers to adjust their CSO based on updated value of capacity
 - Total CSO amount may change in an ARA
- Consequently, ISO (sloped demand curve) **and** participants may be sellers or buyers



Forward Capacity Auction vs. Annual Reconfiguration Auctions, *continued*

Who is Buying and Selling?

Forward Capacity Auction (FCA)

Suppliers are all sellers

- **New** supply submits a supply offer
- **Existing** supply submits a de-list bid
 - While called a bid, this is really a supply offer; still selling capacity but at a price
- Cleared supply receives a CSO for the annual period (CCP) at auction clearing price
 - Existing supply that takes no action clears the auction

Annual Reconfiguration Auction (ARA)

Suppliers may be sellers or buyers

- Supply offers – a supplier that wants to sell unobligated capacity (subject to qualification limits)
- Demand bids – a supplier that wants to buy/demand back the capacity they sold previously
- ISO (acting as agent) and suppliers are now **both** buyers and sellers; mechanics of auction work differently than FCA



Forward Capacity Auctions vs. Annual Reconfiguration Auctions

How Do Supply and Demand Meet?

Forward Capacity Auction (FCA)

Descending clock auction (DCA)

- Auction determines shape of supply curve
- While total (potential) supply amount is known, what is not known is price of each supply segment
- Price of each segment is revealed in DCA

Clearing objective: Maximize Social Surplus

Annual Reconfiguration Auction (ARA)

Sealed bid auction

- Supply curve is a composite of total CSO previously sold **and** supply offers from unobligated capacity
- Demand curve is a composite of updated MRI-based sloped demand curve **and** demand bids from suppliers that want to buy back their capacity

Clearing objective: Maximize Social Surplus

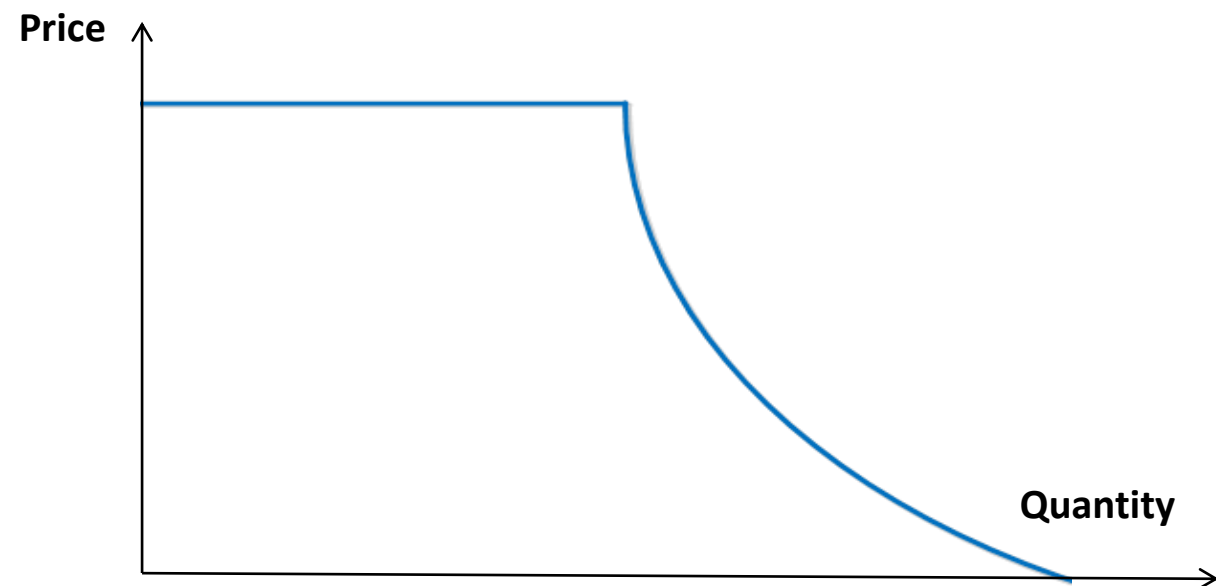


Forward Capacity Auction vs. Annual Reconfiguration Auctions

Forward Capacity Auction (FCA) – Recap

Pre-auction

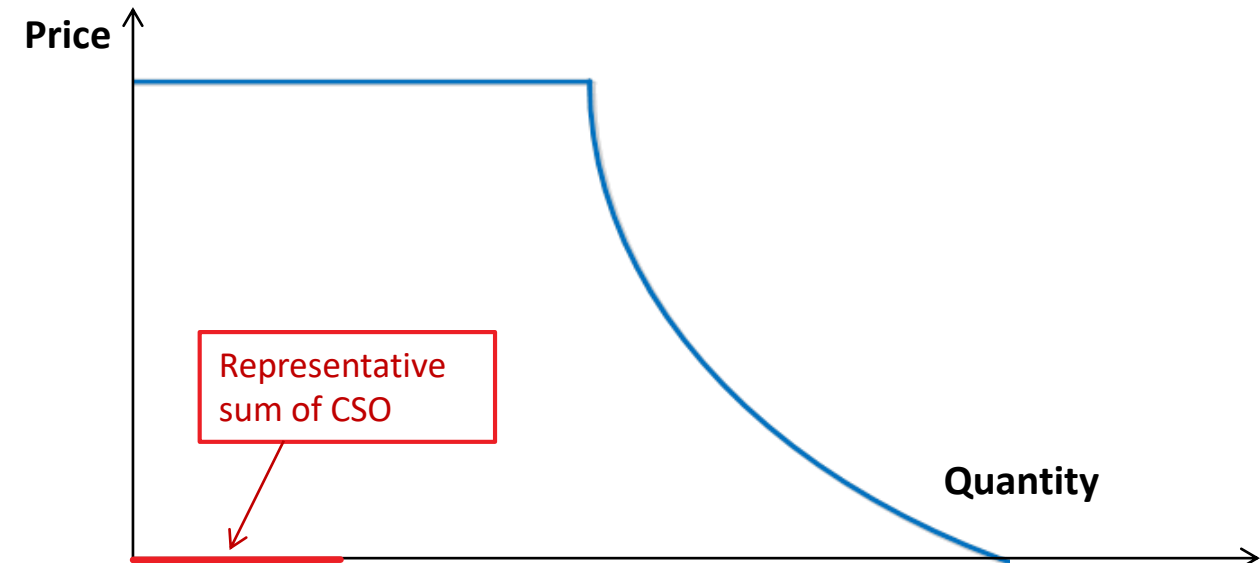
- ISO, acting as agent for load, is buyer of capacity as reflected by MRI-based sloped demand curve



Annual Reconfiguration Auction (ARA)

Pre-auction

- ISO, acting as agent for load, adjusts value of capacity in updated sloped demand curve(s)
- Existing system CSO is entered at \$0

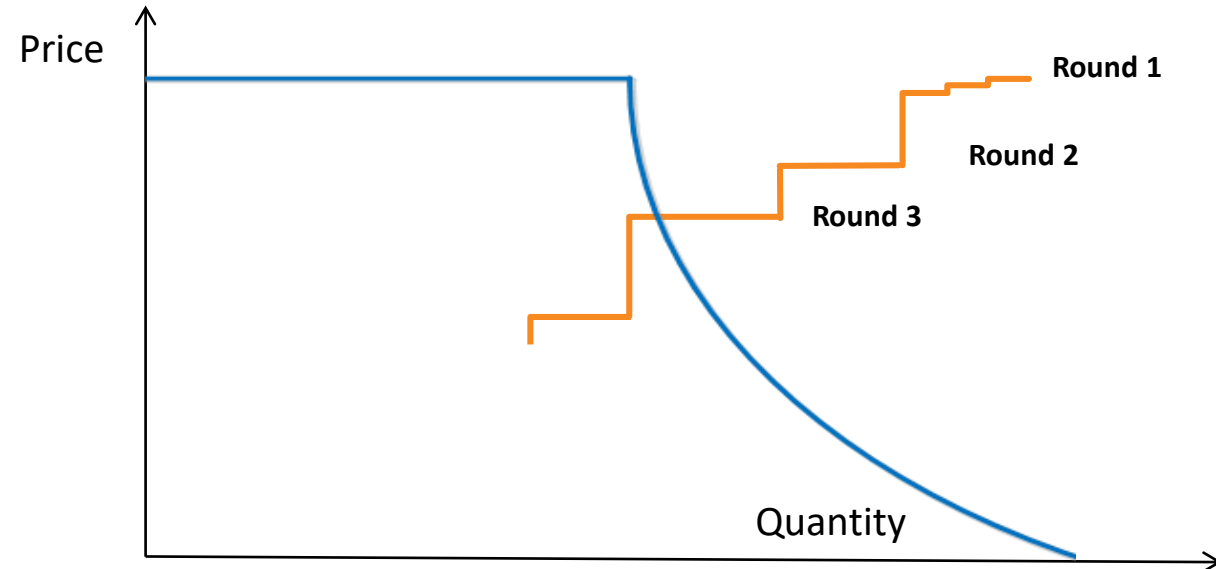


Forward Capacity Auction vs. Annual Reconfiguration Auctions, *continued*

Forward Capacity Auction (FCA) – Recap

Bid collection

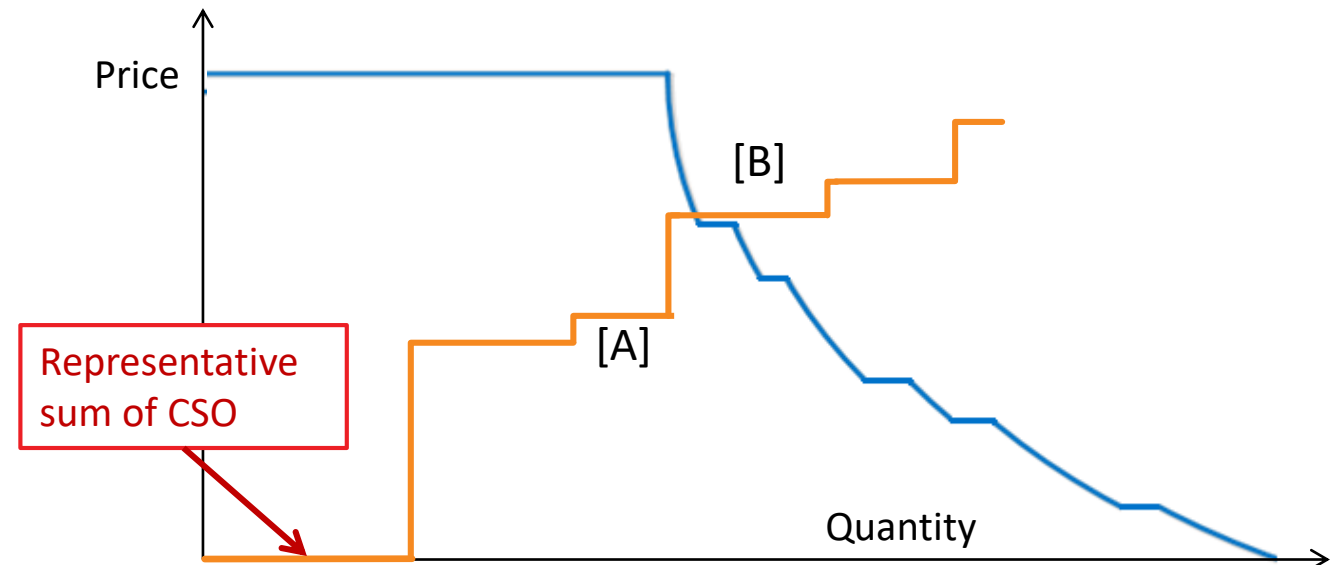
- Descending clock auction determines the shape of the supply curve
 - Price of each supply segment is unknown
- Demand curve does not change



Annual Reconfiguration Auction (ARA)

Bid collection

- Sealed bid auction, participants submit price-MW pairs
- Supply curve is a composite of total CSO previously sold **and** supply offers from resources with unobligated capacity
- Demand curve is a composite of updated sloped demand curve **and** demand bids from suppliers that want to buy back their capacity and shed CSO

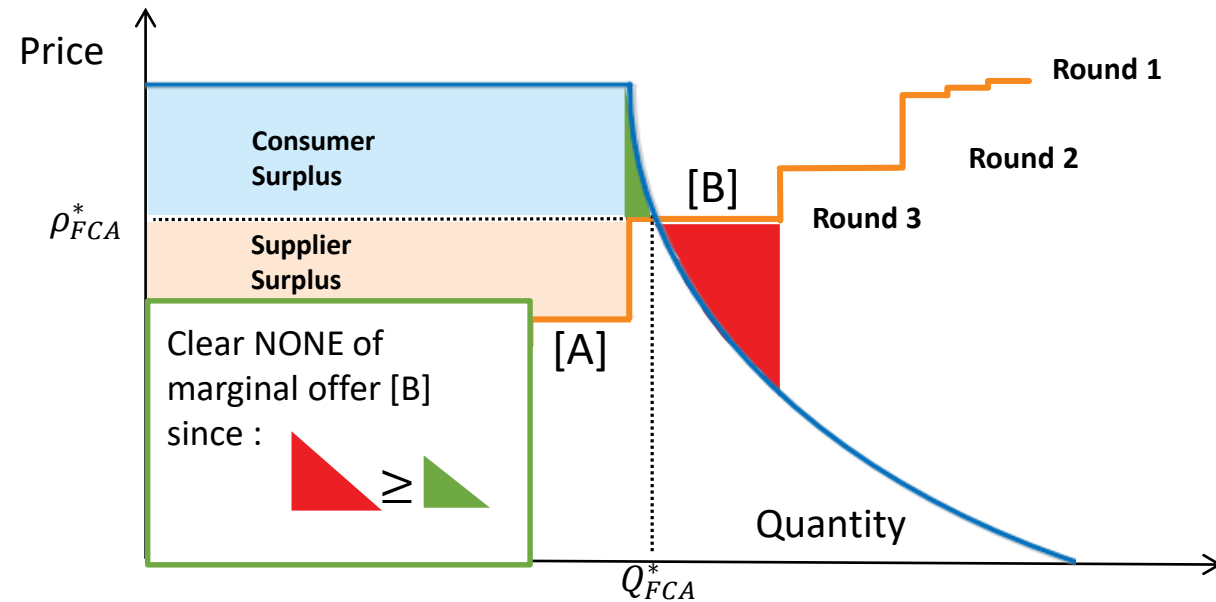


Forward Capacity Auction vs. Annual Reconfiguration Auctions, *continued*

Forward Capacity Auction (FCA) – Recap

Market clearing

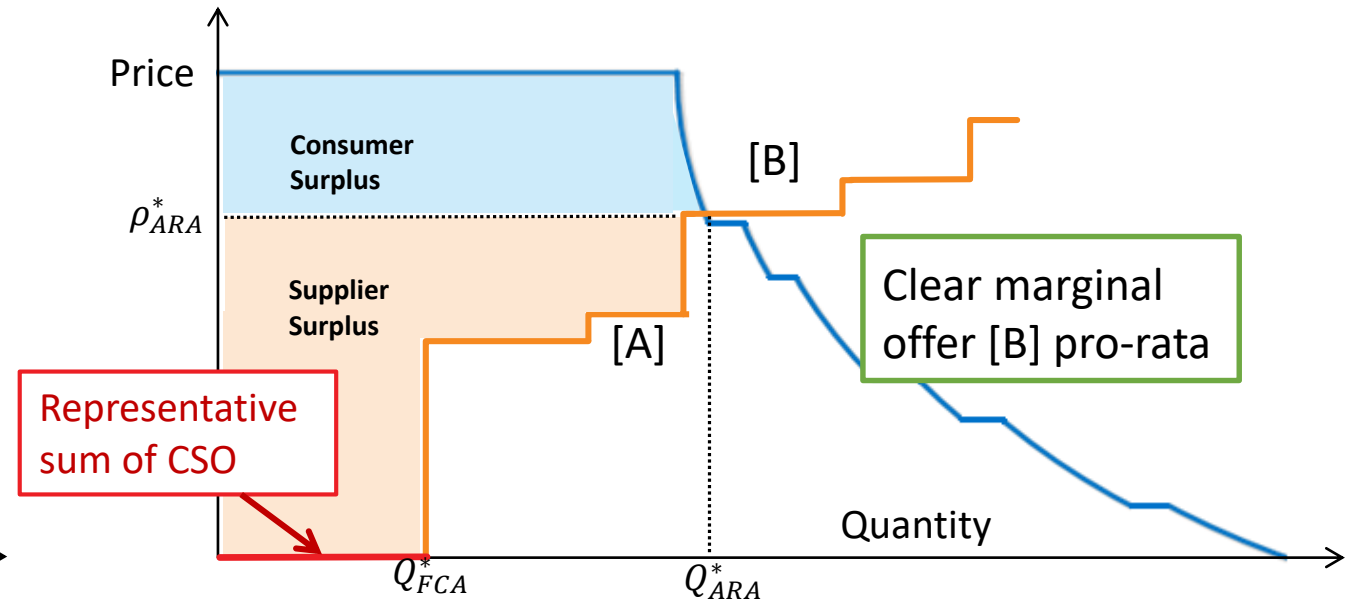
- Multiple rounds
- Maximize social surplus (lumpy)
 - Minimize deadweight loss
- Market clearing engine determines clearing price and quantity



Annual Reconfiguration Auction (ARA)

Market clearing

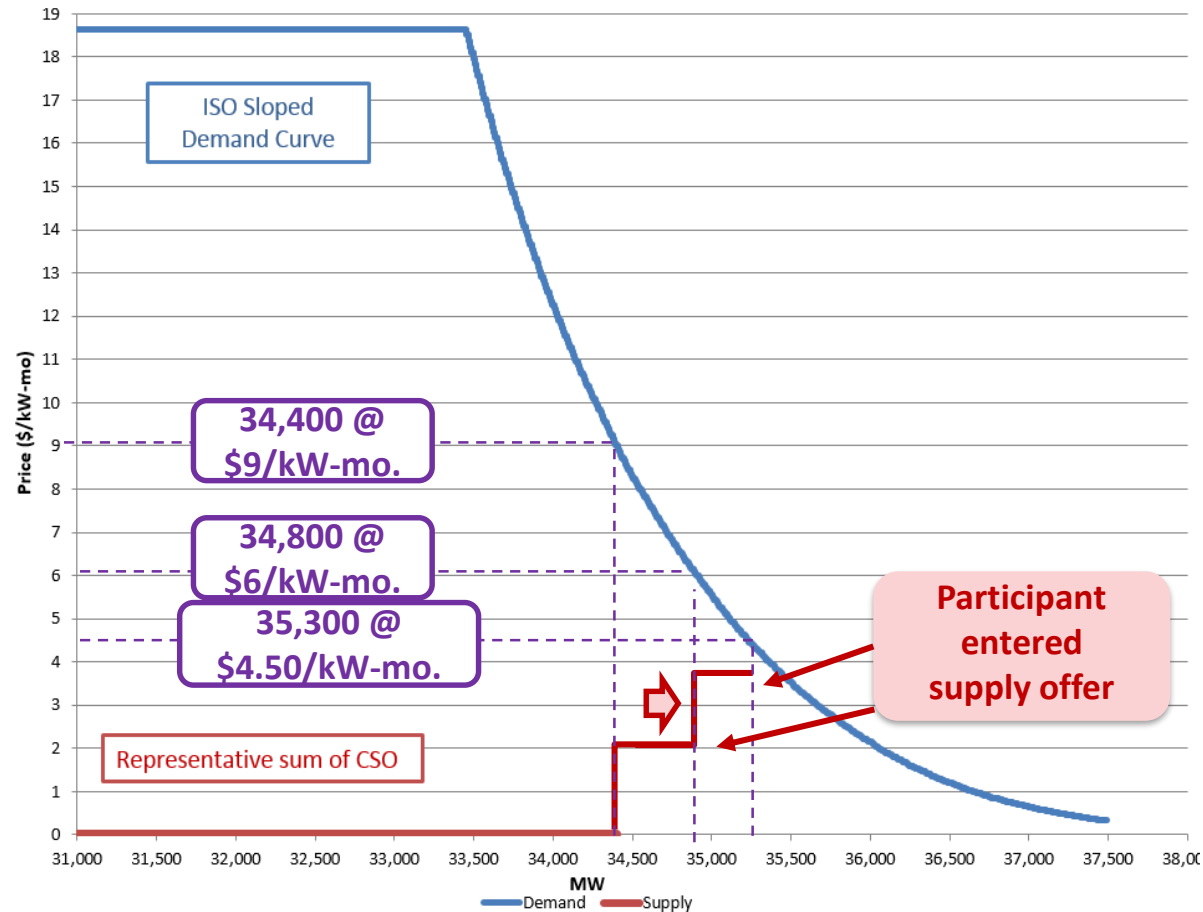
- Static double auction (one round)
- Maximize social surplus (fully rationable)
 - No deadweight loss



Annual Reconfiguration Auctions – Participant Inputs

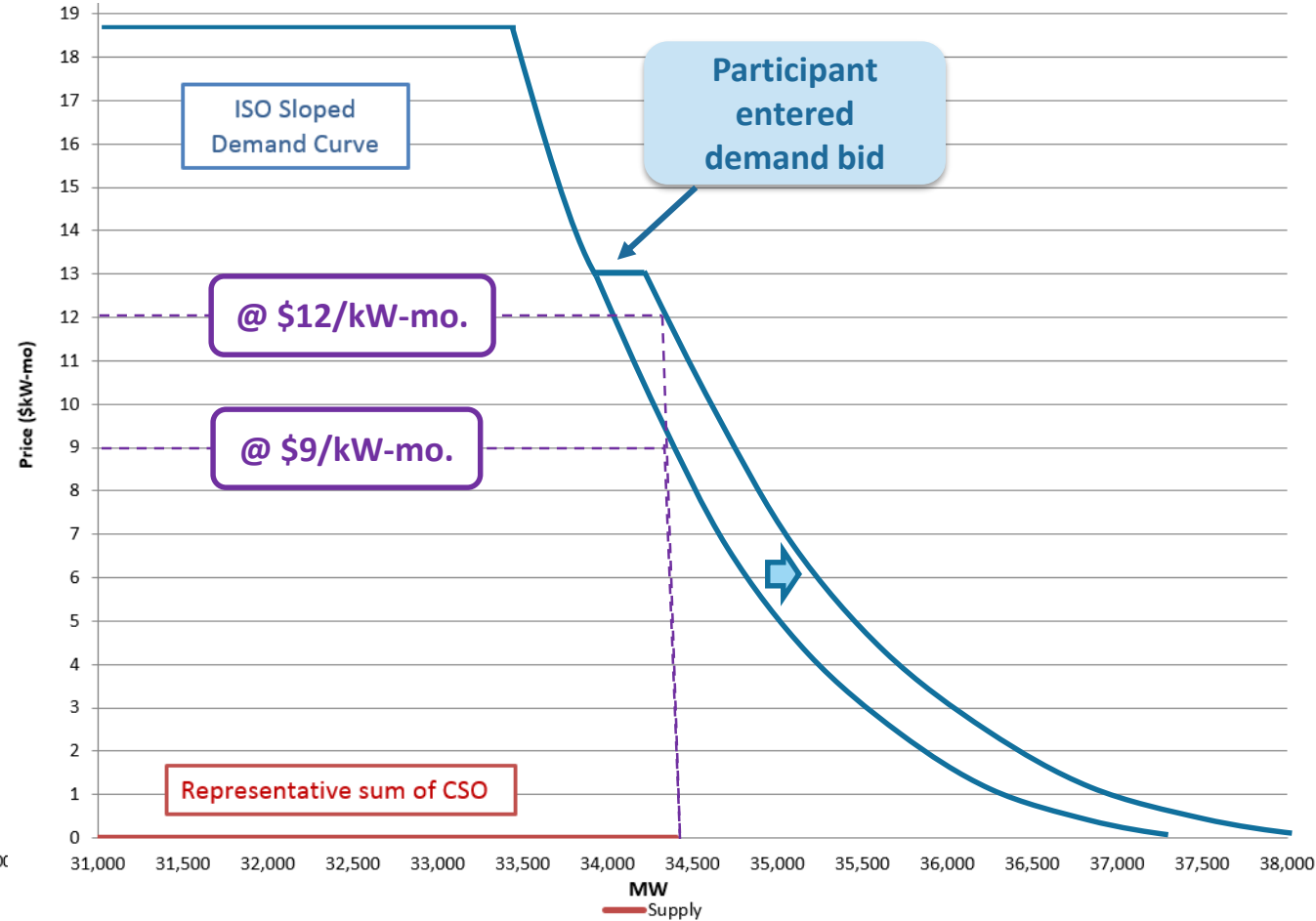
Supply offers

- Increase system capacity
- Value of capacity decreases



Demand bids

- Shift demand curve at prices below to the right
- Value of capacity increases



If a participant wants to shed CSO in a reconfiguration auction, they would use:



- A. Demand bid
- B. Supply offers
- C. Request for proposal (RFP)
- D. Capacity supply obligation (CSO) bilateral



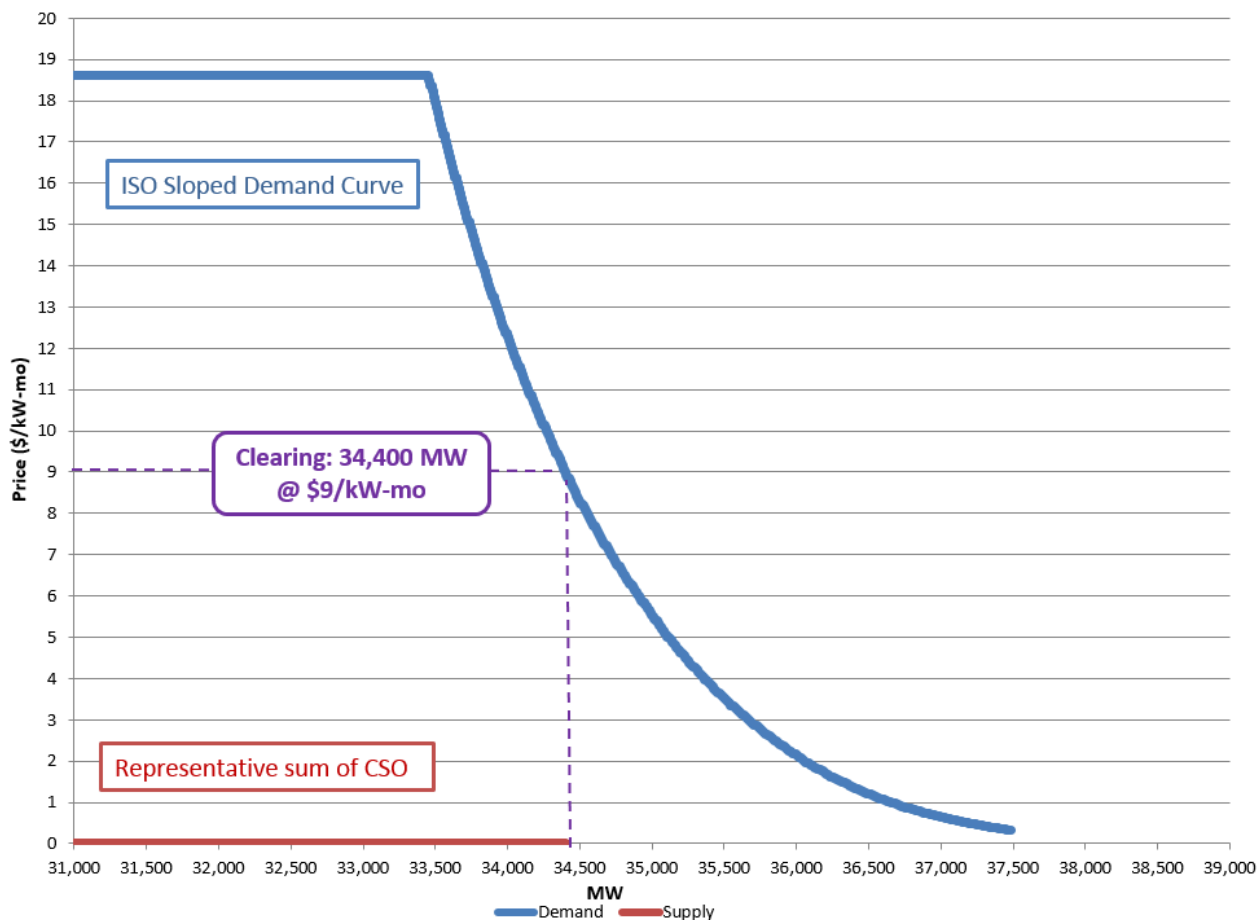
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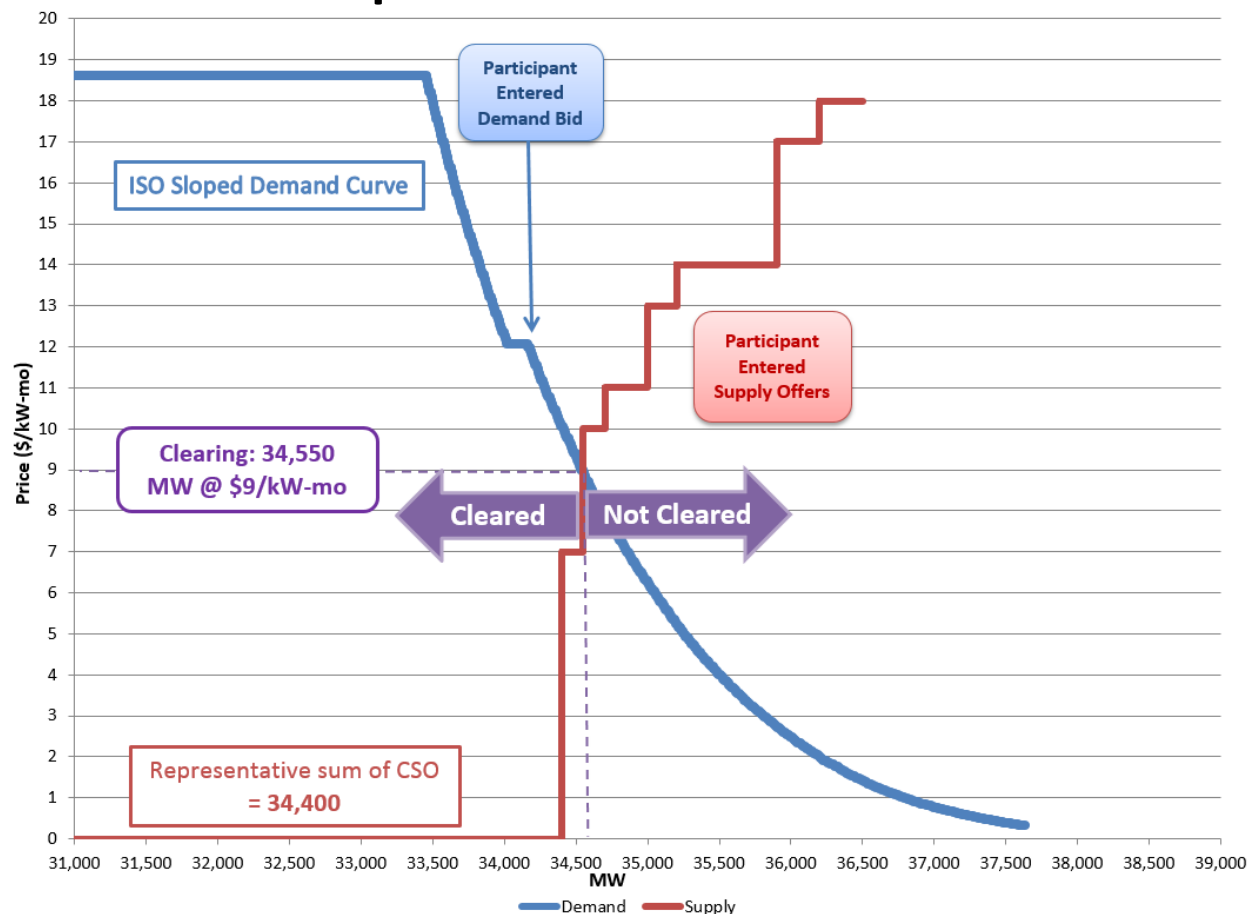
Questions

Annual Reconfiguration Auctions – Clearing

ISO entered:



ISO + Participant entered:



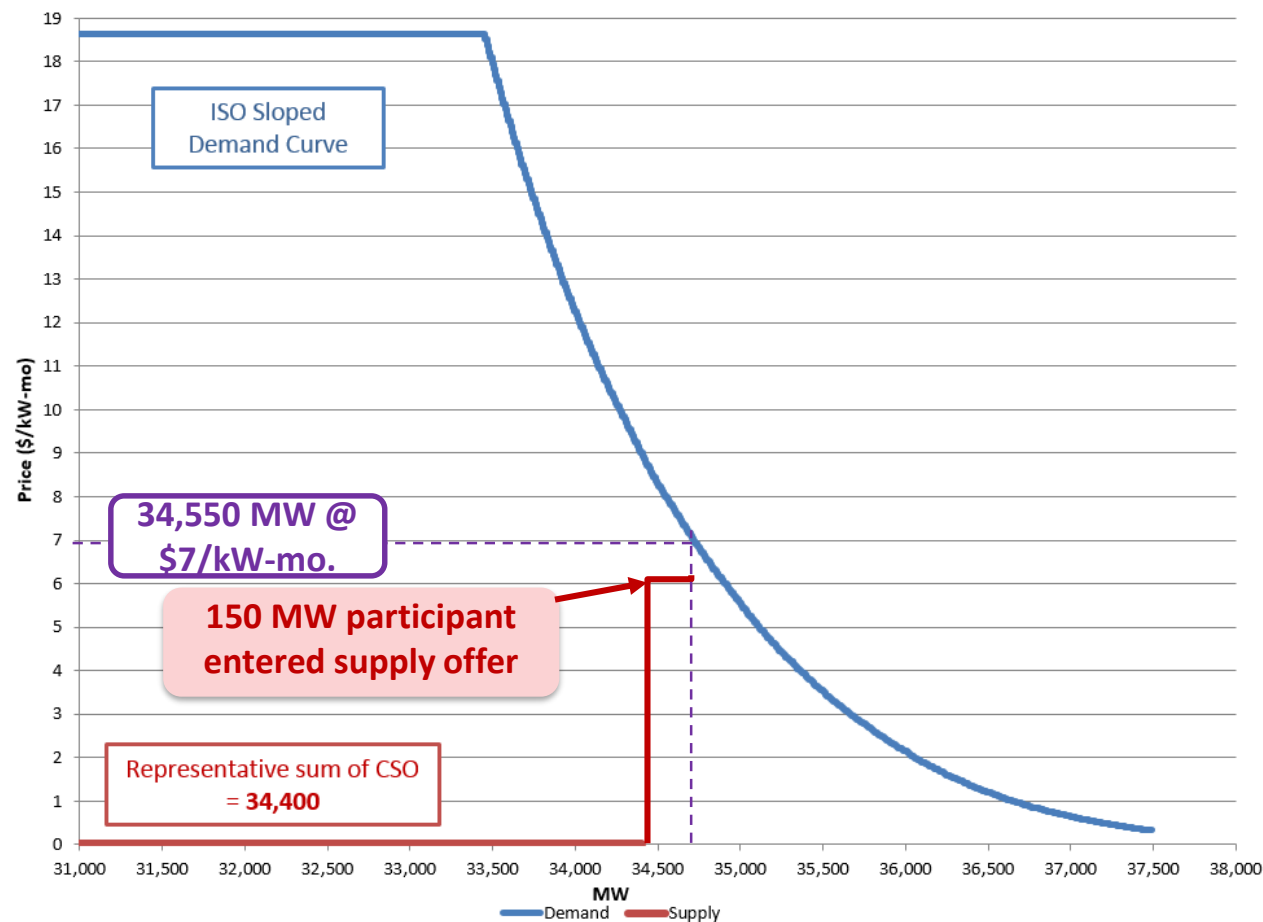
Interaction of ISO and participant entered components determines:

- **Clearing price(s)*:** Created for each capacity zone and import interface (\$9/kW-mo.)
- **Clearing quantity:** *Total* cleared supply and *total* cleared demand is equal (34,550 MW)

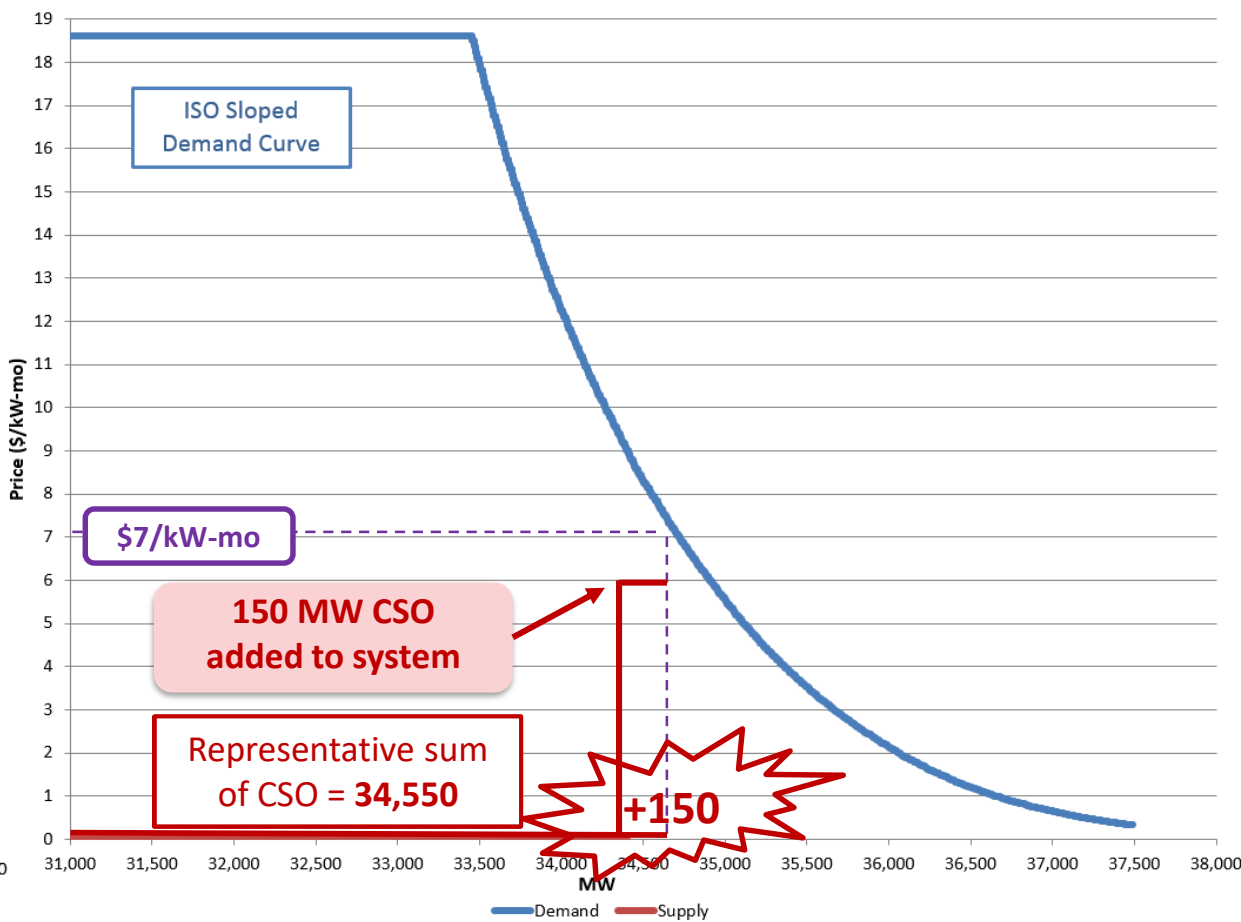
*Only newly cleared demand bids and supply offers receive ARA clearing price

Annual Reconfiguration Auctions – Netting

No participant entered demand bid is needed for participant entered **supply offer** to clear



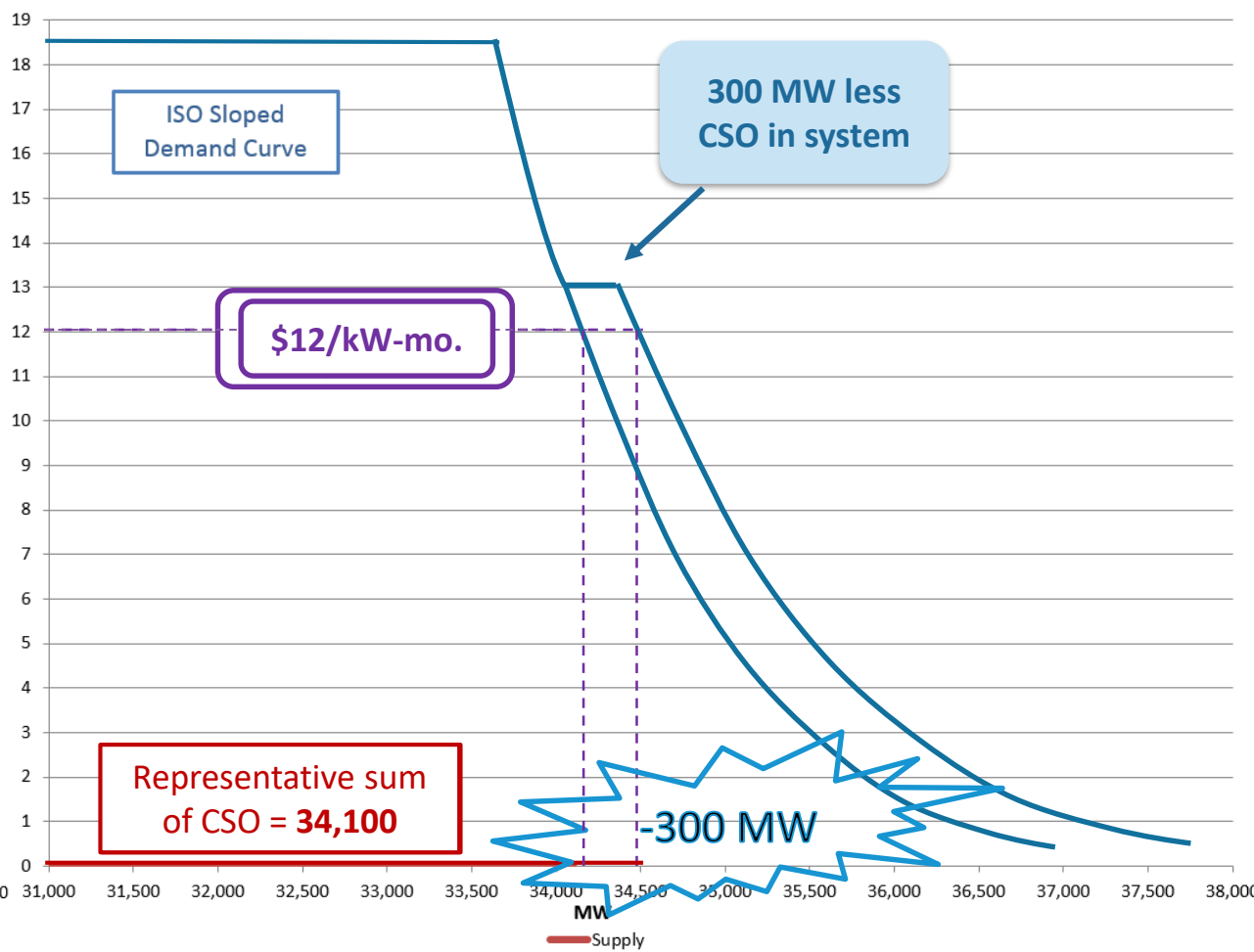
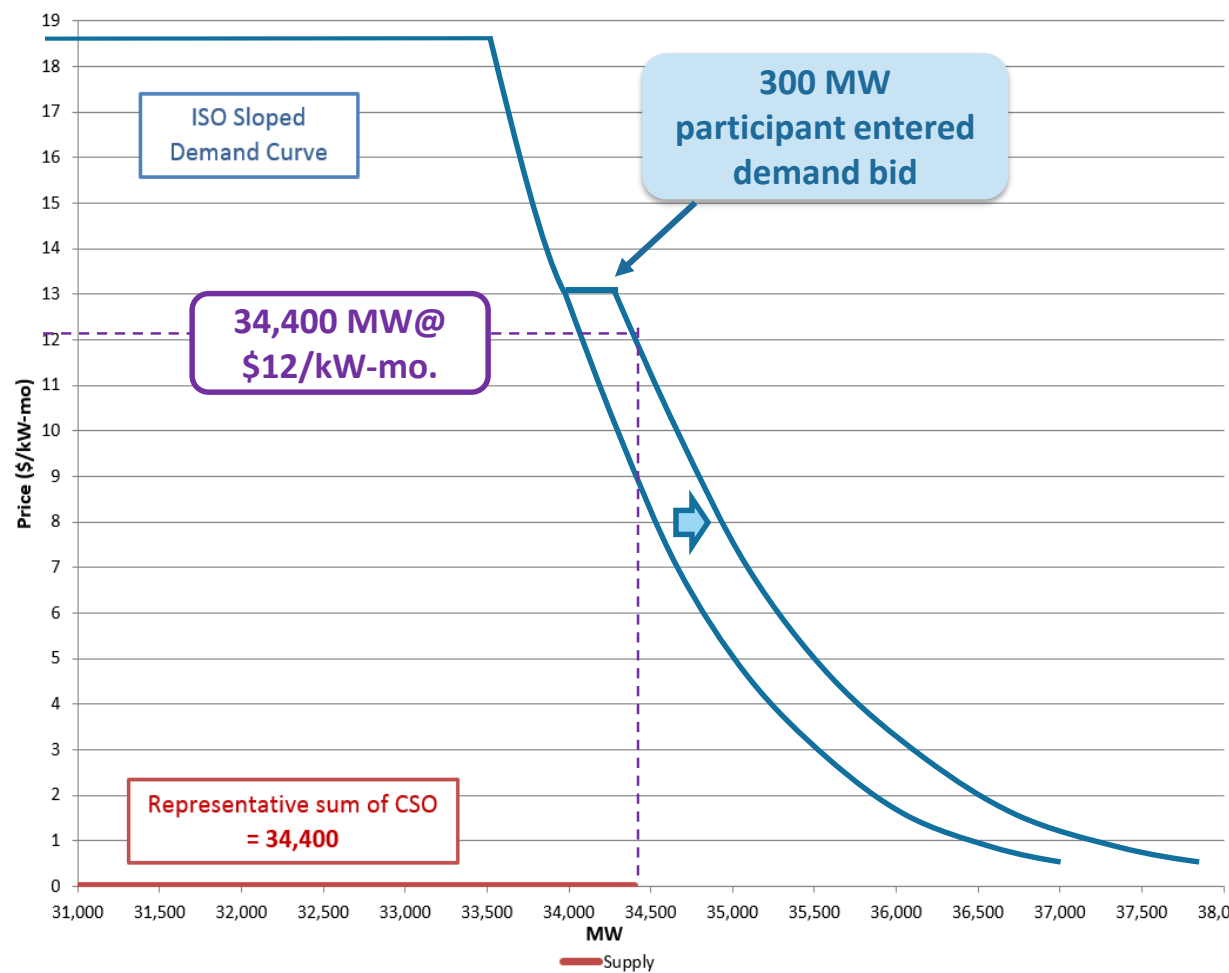
Post-auction approval, **net CSO**



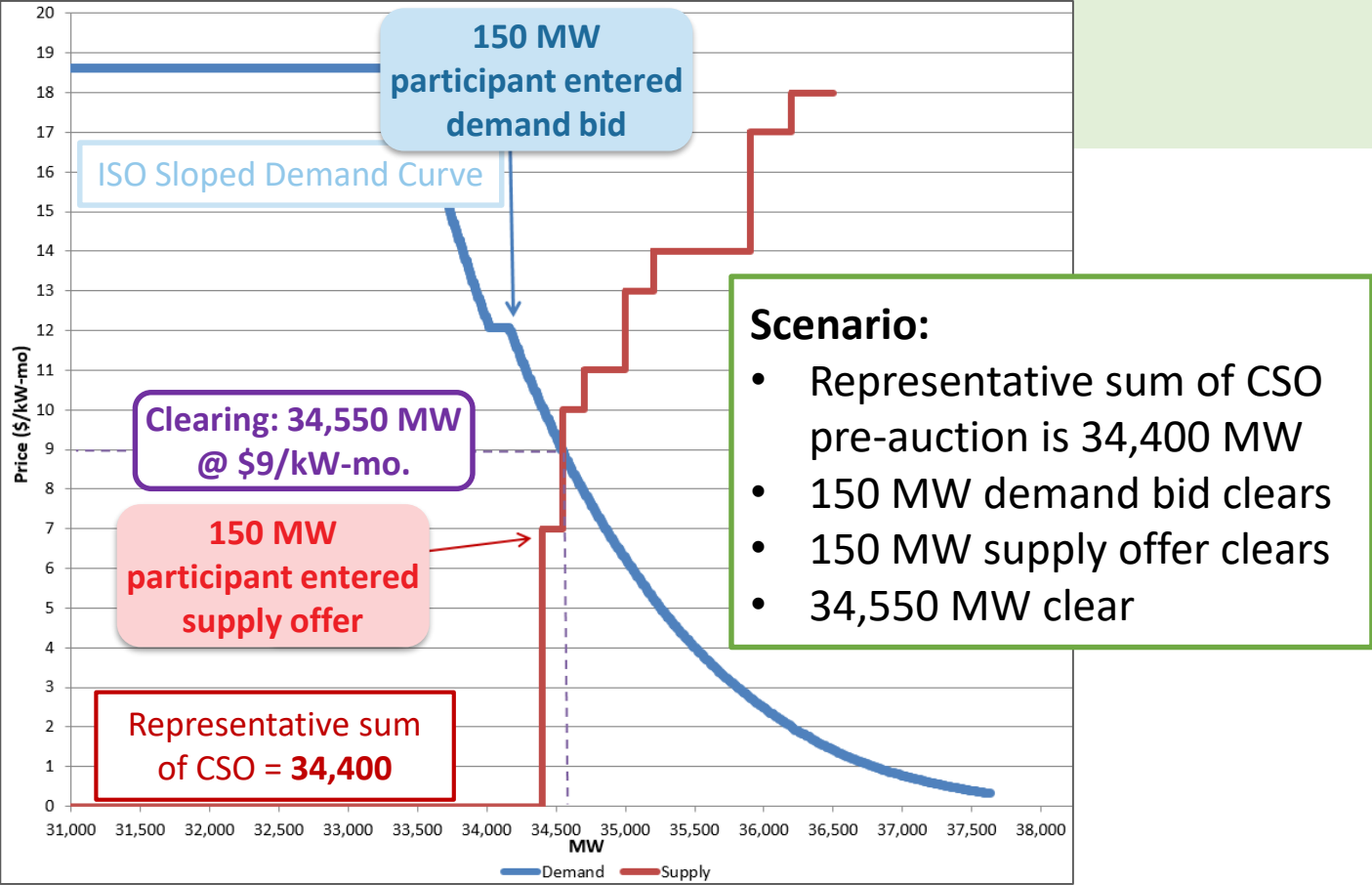
Annual Reconfiguration Auctions – Netting, *continued*

No participant entered supply offer is needed for participant entered **demand bid** to clear

Next auction, begin with net CSO



What is the representative sum of CSO going into the next auction?



- A. 34,400 MW
- B. 34,550 MW
- C. 34,250 MW
- D. 0 MW



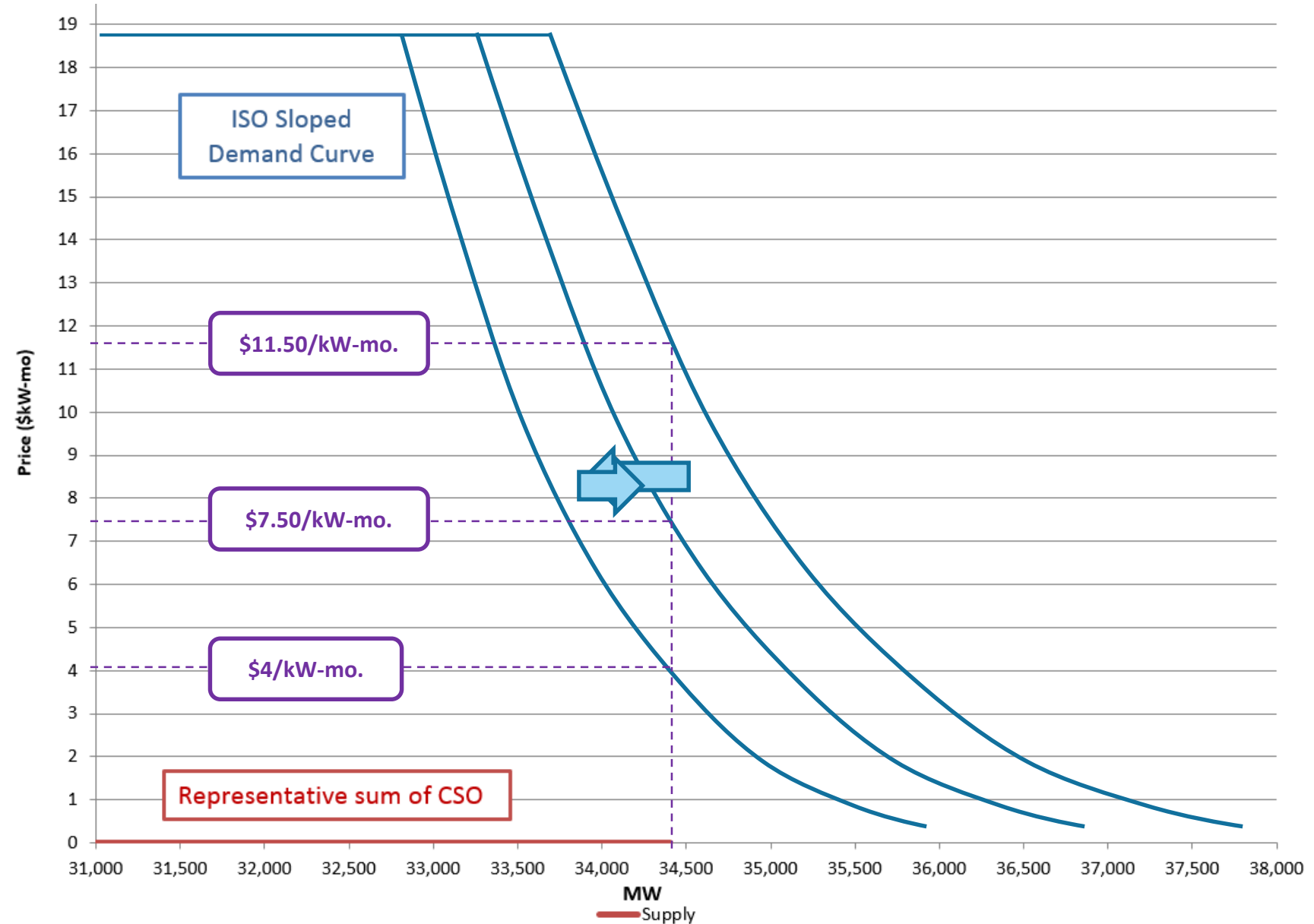
Q2 of 6

Changes Between Annual Reconfiguration Auctions

Sloped demand curve (SDC)

is recalculated for each annual reconfiguration auction (ARA)

- Value of capacity changes **from auction to auction** when SDC shifts



Annual Reconfiguration Auctions – Participant Entry

Participants can enter up to five price-MW segments per resource per bid type

Resource Name Generator 101

Resource ID 101

Lead Participant(ID) VIU1 (1)

Load Zone .Z.SEMASS

Type Generator

Sub-Type Non Intermittent

Demand Bid

Update

Delete

Maximum Demand Bid MW

7.114

Segment	Price \$/KWm	MW
1	5.500	1.114
2	5.000	2.000
3	4.500	4.000
TOTAL		7.114

Supply Offer

Update

Delete

Maximum Supply Offer MW

1.292

Segment	Price \$/KWm	MW
1	13.500	0.500
2	14.000	0.500
3	14.990	0.292
TOTAL		1.292

Demand Bids

Supply Offers

Reconfiguration Auction Reviews

Financial Assurance Review

- If resource lead participant does not have adequate financial assurance (FA) available to cover all FA requirements, all bids and offers are rejected
 - Exception: ARA 3 mandatory demand bids will not be rejected
- If a demand bid as submitted would create a deficit to the resource:
 - Deficit is held against FA of resource owner until the auction is approved
 - FA recalculated based upon clearing price and reliability review results

REJECTED

MR Section III.13.4.2.1.5 and MR Section III.13.4.2.2



Reconfiguration Auction Reviews

Reliability Review

- Reliability review only takes into account cleared bids and offers in the auction
- Resource may only be rejected in whole
- Resource whose supply offer is rejected due to a reliability review receives no economic compensation for that auction (still receives payments from CSO cleared in prior auctions)

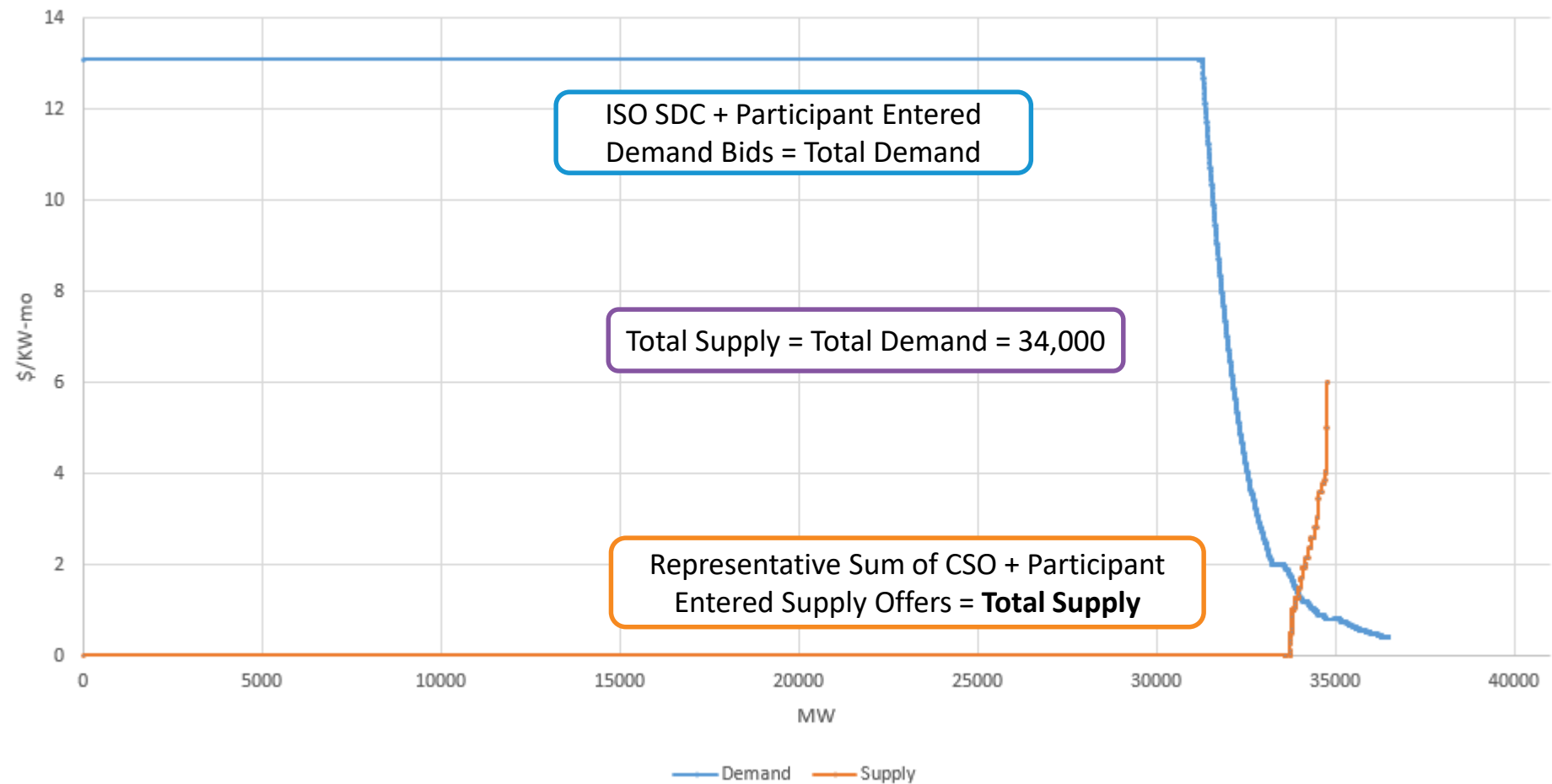
REJECTED

MR Section III.13.4.2.1.5 and MR Section III.13.4.2.2

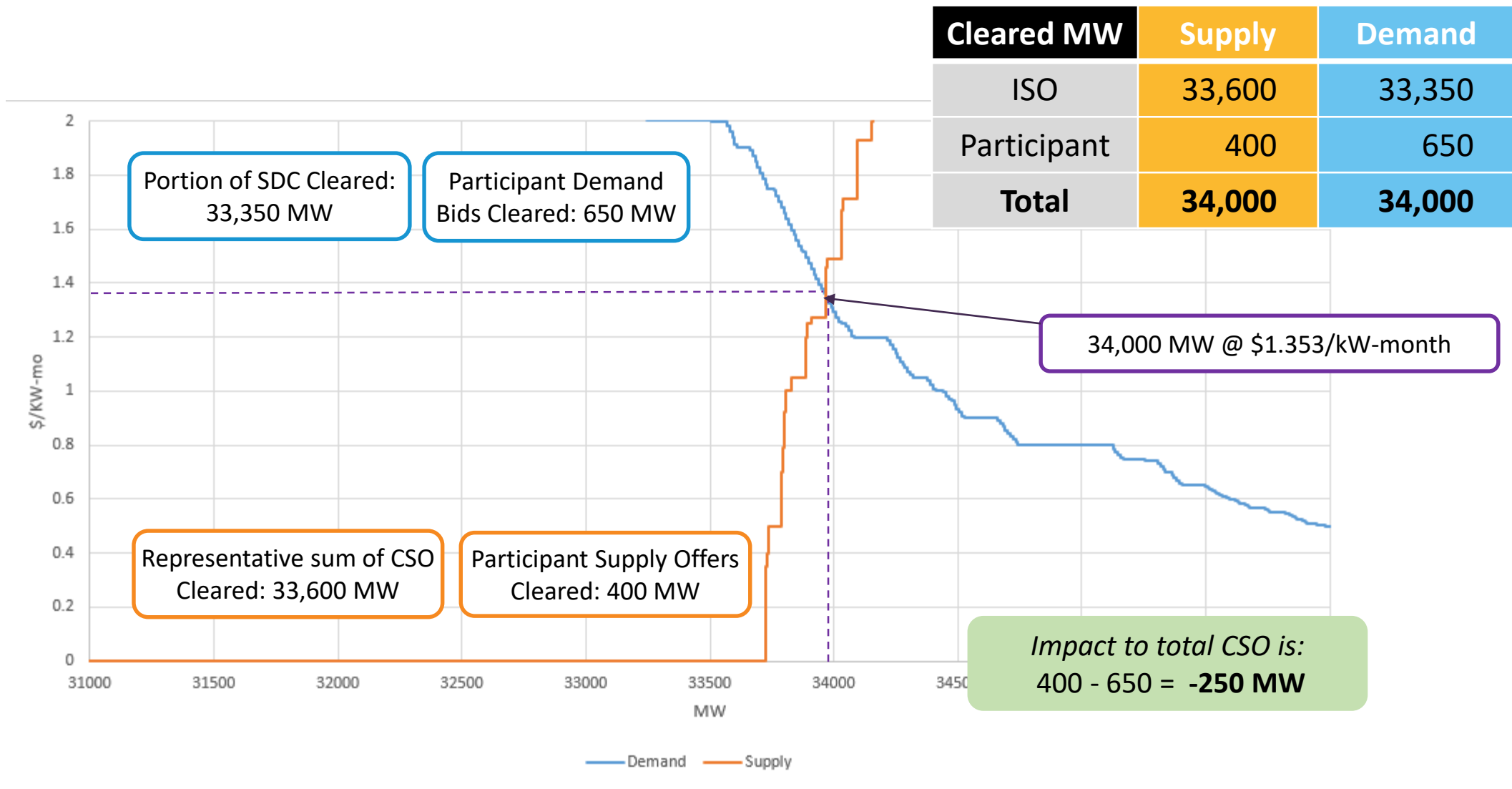


Annual Reconfiguration Auctions – Clearing Example

ARA 3 CCP 2023-2024



Annual Reconfiguration Auctions – Clearing Example



The FCM path of a non-intermittent generator ...



Annual Reconfiguration Auctions – Results

Resource A			
Event	CSO	Rate	Credit/Charge
FCA	180	2.001	360,180
ARA	10	1.353	13,530
MRA	-	-	-
Total	-		-

The FCM path of an intermittent generator ...



Annual Reconfiguration Auctions – Results

Resource B			
Event	CSO	Rate	Credit/Charge
FCA	2.6	2.001	5,202
ARA	-	-	-
MRA	-	-	-
Total	-	-	-

The FCM path of a demand capacity resource...



Annual Reconfiguration Auctions – Results

Resource C			
Event	CSO	Rate	Credit/Charge
FCA	-	-	-
ARA	2	1.353	2,706
MRA	-	-	-
Total	-		-



Questions

Annual Reconfiguration Transactions (ARTs)

A Story of Two Resources ...

Resource C

- Has CSO, but cannot meet its obligation
- Is going to attempt to **shed** CSO in ARA
- Will enter a **demand bid** at a **high** price
- While willing to pay a high price to shed, doesn't want a high price

Resource D

- Does not have CSO, but intends to operate
- Is going to attempt to **acquire** CSO in ARA
- Will enter a **supply offer** at a **low** price
- While willing to receive a low price to acquire, doesn't want a low price

What if these two resources agreed to a transaction in an attempt to gain price certainty?

Resource C and **Resource D** enter into an agreement, where the difference between an agreed upon price and ARA clearing price is transferred between resources, depending on the ARA clearing price:

- If ARA clearing price is greater than agreed upon price, acquiring resource pays transferring resource the difference
- If ARA clearing price is less than agreed upon price, transferring resource pays acquiring resource the difference

Let's look at some clearing scenarios:

If **Resource C** and **Resource D** enter into an agreement at \$8/kW-mo. — and we'll call this agreement an annual reconfiguration transaction (ART)

Remember, we don't know the clearing price of ARA when entering an ART



Resource C enters a 100 MW demand bid into ARA @ \$10/kW-mo.

Resource D enters a 100 MW supply offer into the ARA @ \$1/kW-mo.

Resource C and **Resource D** also have a 100 MW ART @ \$8/kW-mo.

CSO MW	ARA Clearing Price	\$/mo.
-100	\$3	-300,000

CSO MW	ARA Clearing Price	\$/mo.
100	\$3	300,000

ART MW	ARA - ART	\$/mo.
100	\$3 - \$8 = -\$5	-500,000

ART \$	-\$500,000
Total:	-\$800,000

ART \$	\$500,000
Total:	\$800,000

When used in conjunction with transacting CSO in ARA, ART effectively fixes the price at \$8/kW-mo.

Resource C enters a 100 MW demand bid into ARA @ \$10/kW-mo.

Resource D enters a 100 MW supply offer into ARA @ \$1/kW-mo.

Resource C and **Resource D** also have a 100 MW ART @ \$8/kW-mo.

CSO MW	ARA Clearing Price	\$/mo.
-100	\$9	-900,000

CSO MW	ARA Clearing Price	\$/mo.
100	\$9	900,000

ART MW	ARA - ART	\$/mo.
100	\$9 - \$8 = \$1	100,000



ART \$	\$100,000
--------	-----------

Total:	-\$800,000
--------	------------

ART \$	-\$100,000
--------	------------

Total:	\$800,000
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When used in conjunction with transacting CSO in ARA, ART effectively fixes the price at \$8/kW-mo.

Annual Reconfiguration Transaction (ART)

What is it?

- An agreement that achieves the equivalent of a fixed price private transfer, based on the intent of one participant to shed a resource's capacity supply obligation (CSO) (the transferring party/resource) in the annual reconfiguration auction (ARA), and the desire of another participant to acquire a CSO (the acquiring party/resource)
- Using an annual reconfiguration transaction (ART) offers **price certainty** versus ARA clearing price

Parties negotiate and agree on the following ART terms:

- Transaction amount (MW) – Limit is the MAX between available transferring resource MW and/or acquiring resource MW
- A set price (\$/kW-mo.)
- Capacity zone

Separately, participants submit demand bids and supply offers into ARA for the specified transferring and acquiring resources

Market Rule I, Section III, 13.5.4

Annual Reconfiguration Transaction (ART), *continued*

When do I enter an annual reconfiguration transaction (ART)?

- At any time after respective capacity commitment period's Forward Capacity Auction (FCA) is approved or during annual reconfiguration auction (ARA) window

How do I enter an ART?

- Lead participant for transferring and acquiring resources separately enter bids and offers in corresponding ARA (this transfers CSO)
- Either participant may submit an ART
- Submitted ARTs will require counterparty confirmation
 - Withdrawals will also require counterparty confirmation
- Submitted ARTs cannot be modified; the originally entered into ART must be withdrawn and a new ART submitted

Annual Reconfiguration Transaction User Interface

Resource Submittal

Commitment Period2020-21

AuctionARA1

Type*

Transferring MW

Acquiring MW

Submitting Resource Name (ID)*XYZ

ART Capacity Zone*Rest-of-Pool

Available Nominal MW1.000

Nominal MW*1.00

Price*7

Reference ID123

Comments

Comment can go here.

Confirming Entity Information

Lead Participant Name (ID)*Company ABC

Submit

Counterparty Confirmation

Commitment Period2020-21

AuctionARA1

ART ID12345

ART Capacity ZoneRest-of-Pool

Nominal MW1.000

Price7.000

Submission Entity Information

Submission TypeACQUIRING

Lead ParticipantCompany XYZ

Confirming Entity Information

Confirmation TypeTRANSFERRING

Lead ParticipantXYZ

Resource*Company XYZ

Available Nominal MW10.899

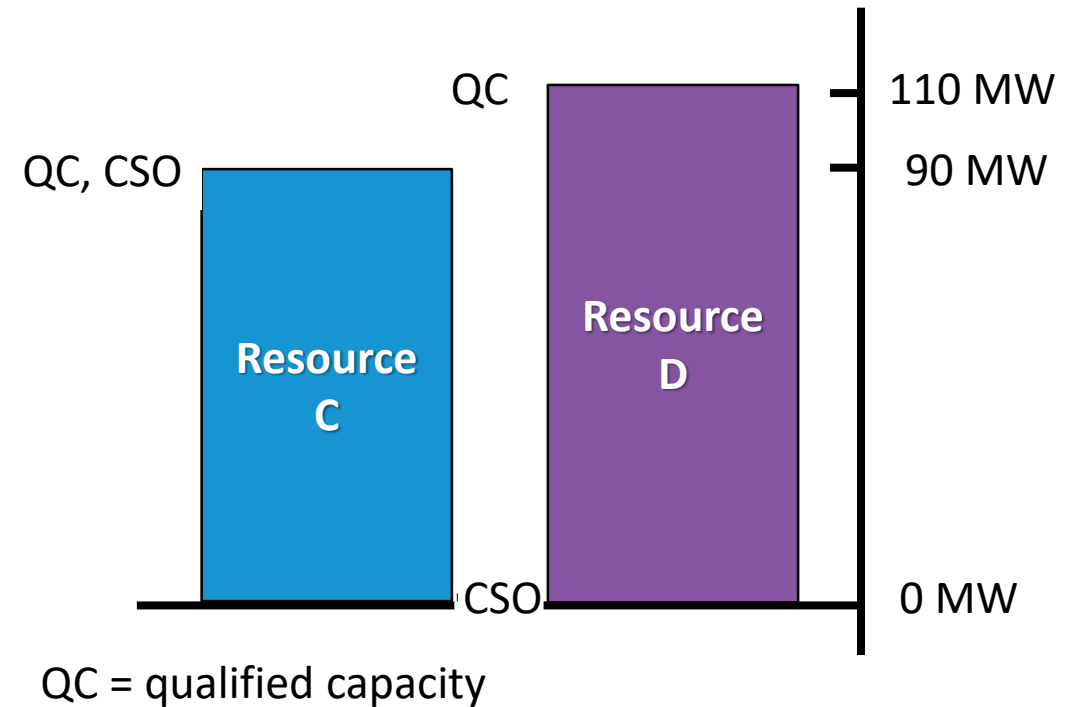
Reference ID

Comments




Submit

Annual Reconfiguration Transaction Limits

- Before each annual reconfiguration auction (ARA), every resource has a maximum demand bid and maximum supply offer limit
- **Resource C**
 - Maximum Demand Bid = 90 MW
 - Maximum Supply Offer = 0 MW
- **Resource D**
 - Maximum Demand Bid = 0 MW
 - Maximum Supply Offer = 110 MW
- ART MW limit is the maximum between available transferring resource MW and acquiring resource MW



Annual Reconfiguration Transaction Processing

Event	Action
Participant fails financial assurance evaluation	 ART rejected
Resource fails reliability review	 ART rejected
Resource bid or offer doesn't clear annual reconfiguration auction	 ART remains

- Once ARA (and ART) window closes, entire package of transactions (ARTs/bid and offers) are evaluated for financial assurance (FA) at a participant level
 - Any participant level FA failure results in the rejection of all transactions (ARTs, bids and offers)
- **Upon approval of ARA**, if a demand bid or supply offer is rejected for reliability, any ART (by same direction) is also rejected
 - For instance, transferring resource in an ART has demand bid rejected; ART is rejected
- ARA is cleared; ARTs are settled whether or not the associated demand bid or supply offer actually clears

Can I use an Annual Reconfiguration Transaction (ART) by itself to transact CSO?

A. Yes



B. No



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Questions

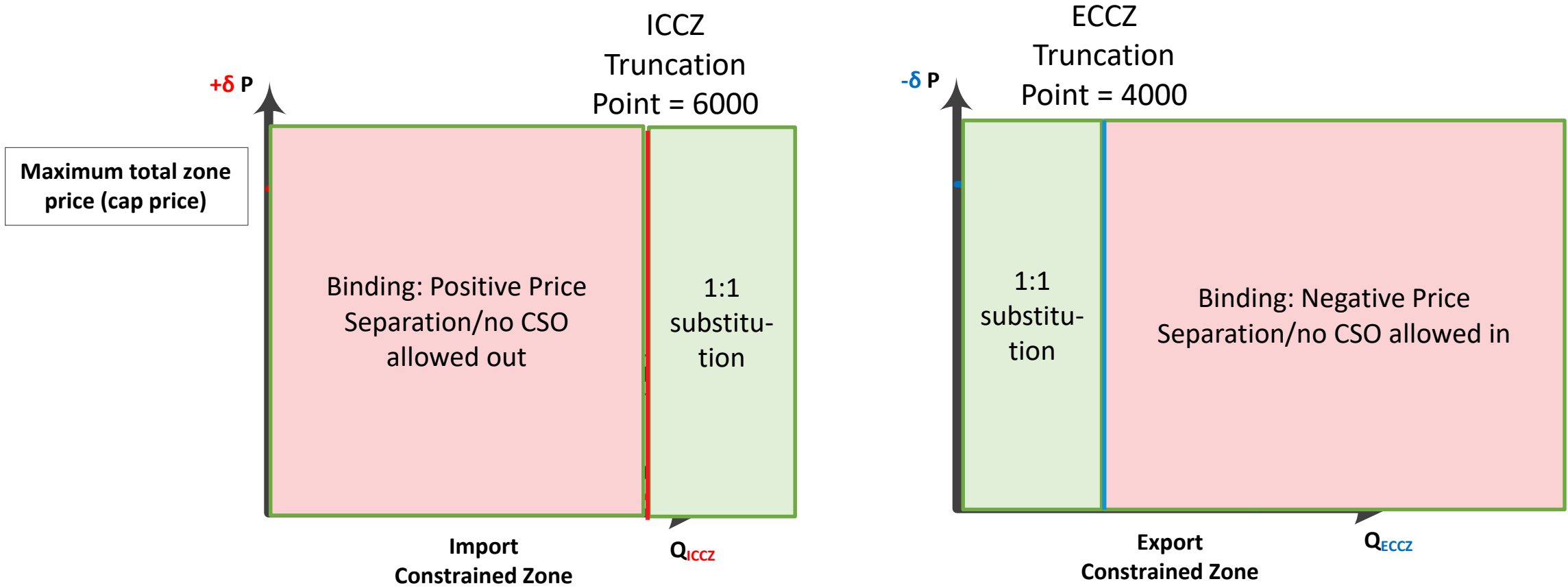
Monthly Reconfiguration Auctions (MRAs)

Monthly Reconfiguration Auction (MRA) – Overview

- Total system supply = total system demand
 - No net capacity supply obligation (CSO) changes in monthlies, but CSO can move in and out of zones
- Sealed bid, static double auction
- Monthly reconfiguration auctions (MRAs) do not use demand curves for any capacity commitment period (CCP)
- MRAs use fixed limits for zones based on **truncation points** of zonal marginal reliability impact (MRI) (Sloped demand curves)
- External interfaces use a fixed limit [capacity transfer limit (CTL)] in MRAs for all CCPs



Zonal Clearing and Truncation Points, *continued*



Monthly Reconfiguration Auction (MRA) Reviews

Financial Assurance (FA) Review

- Same process as annual

Reliability Review

- Same process as annual, but limited to monthly period
- Also takes into account transmission and generator outage schedules approved for the month



The FCM path of a non-intermittent generator ...

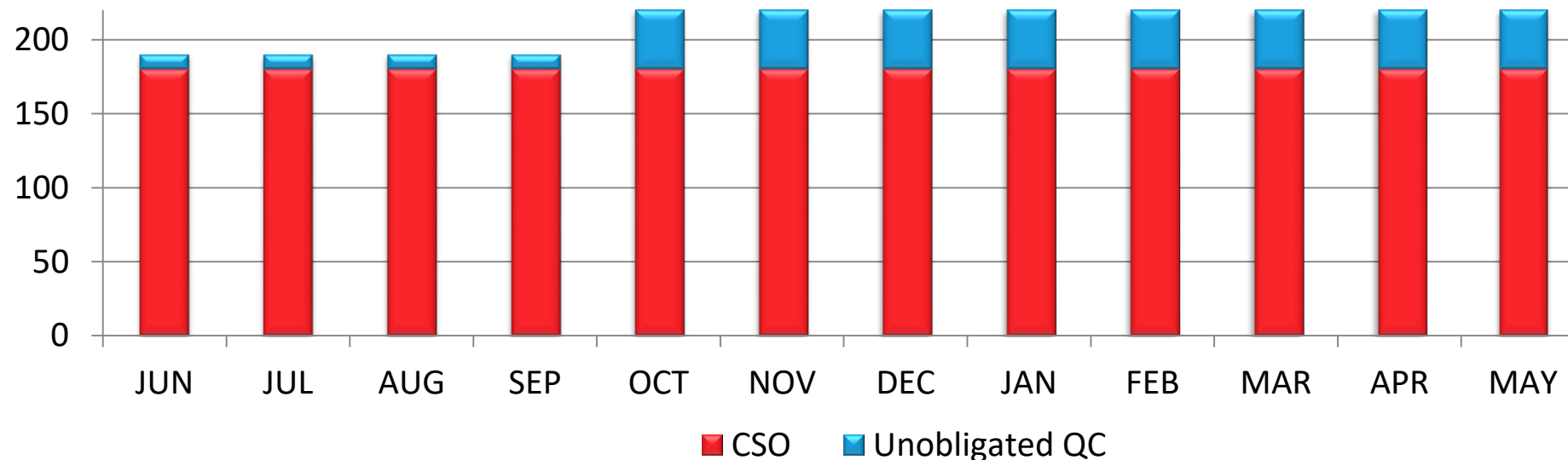


Monthly Reconfiguration Auction Acquiring and Shedding Capabilities

ARA 3 resource qualification carries into monthly resource qualification

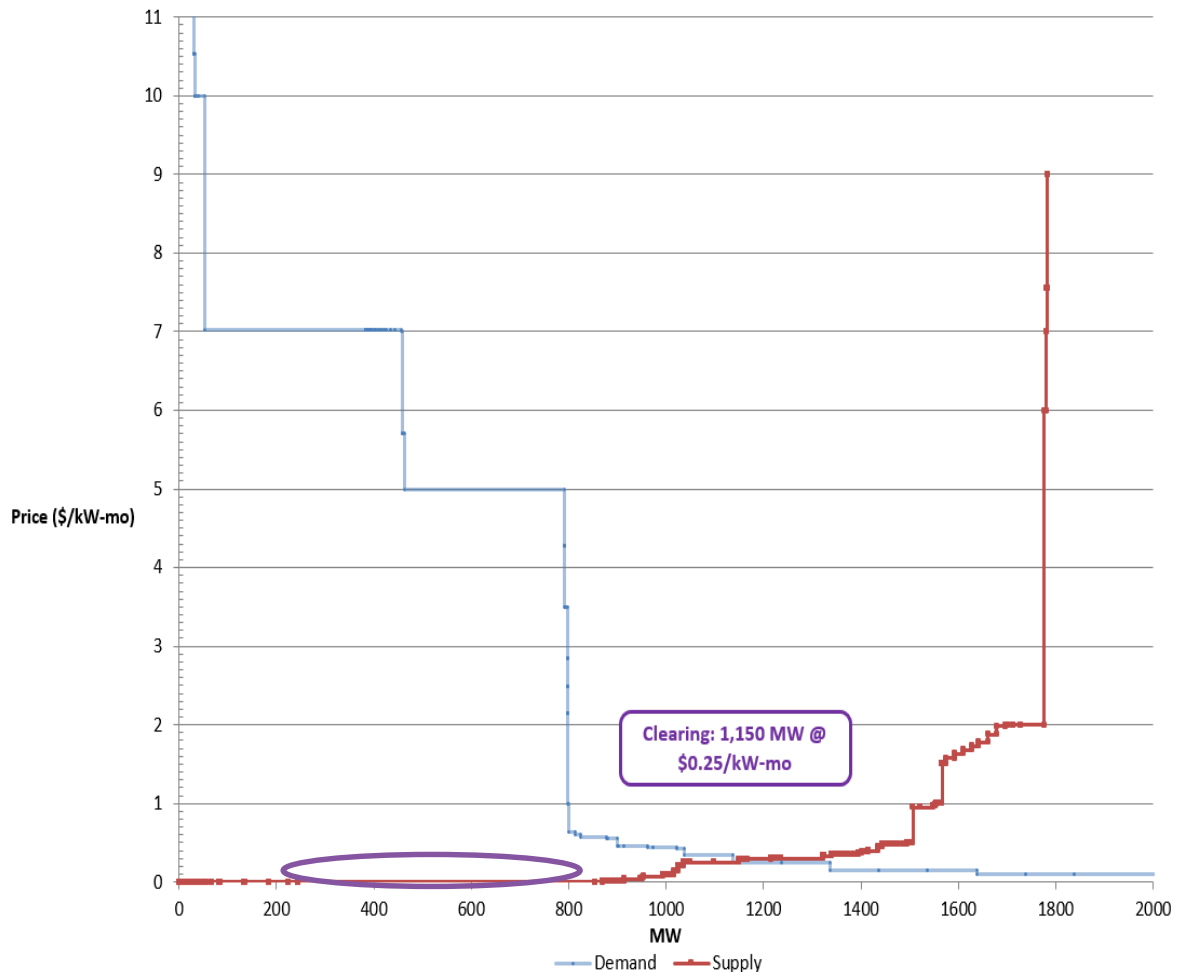
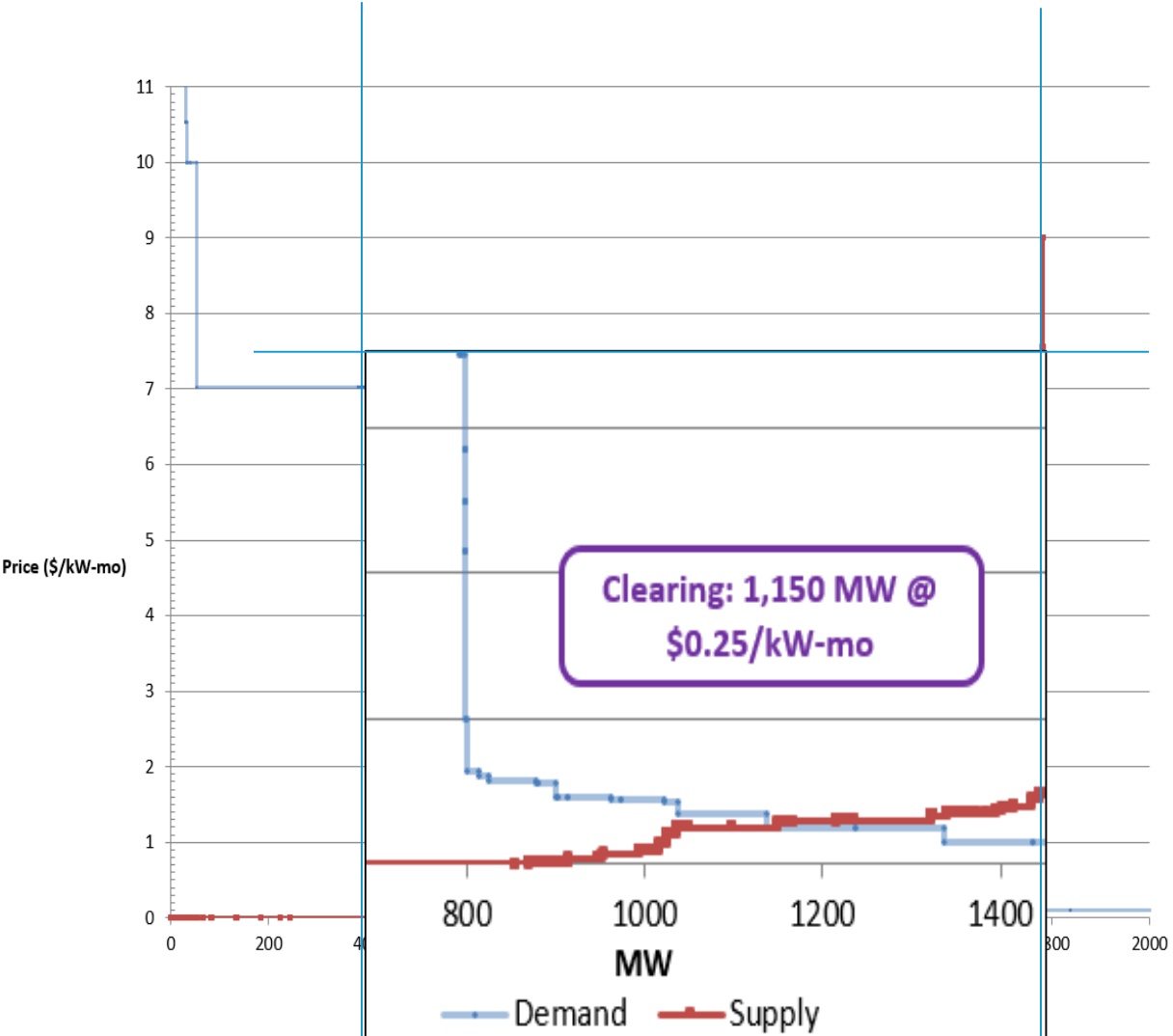
	Acquire (max acquiring capability)	Shed (max transferring capability)
Monthly	Qualified capacity ¹ – CSO for month	CSO for month

¹For months where a resource is on outage, qualified capacity is adjusted



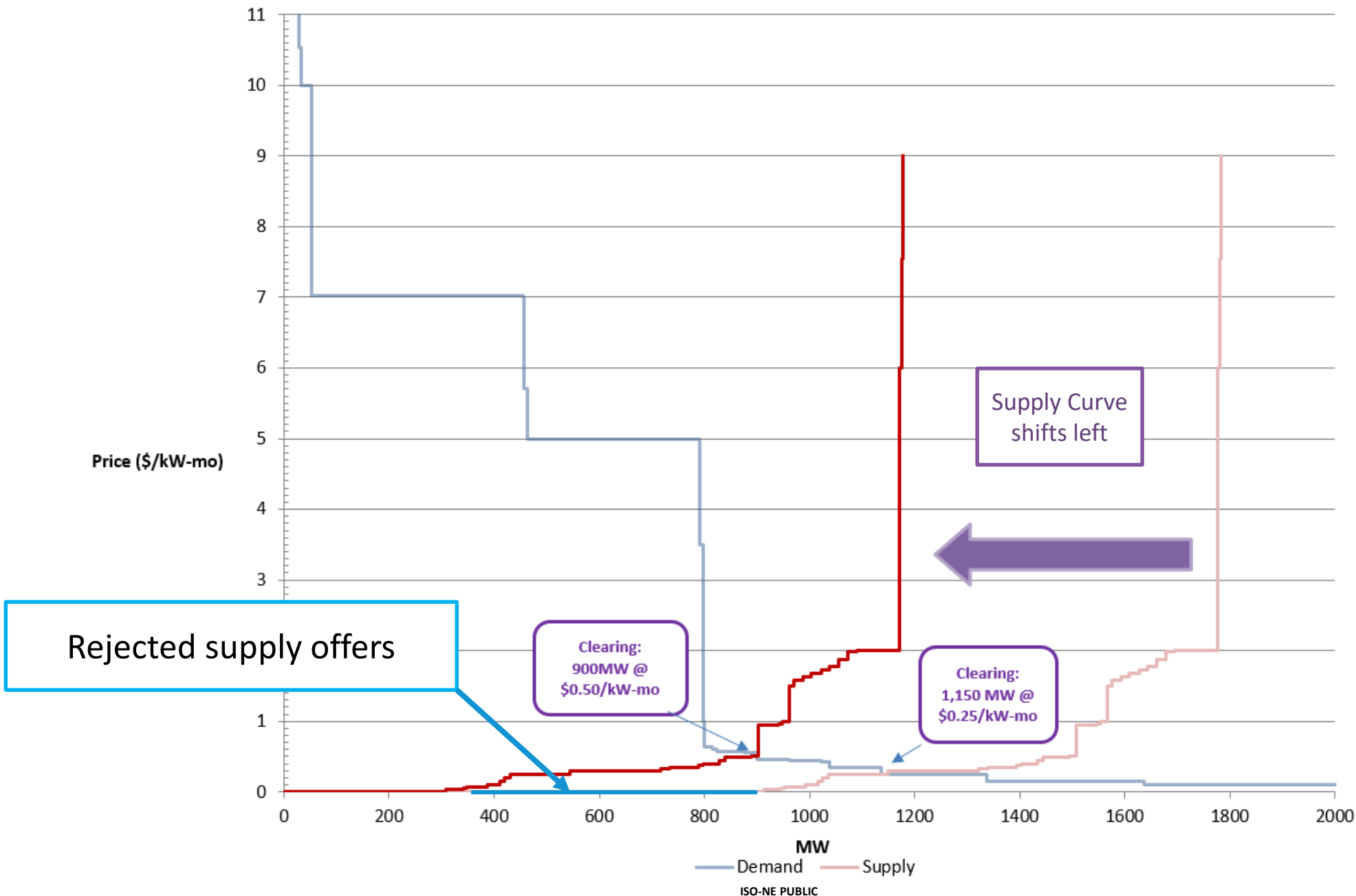
Monthly Reconfiguration Auction – Clearing

Example, With No Slope Demand Curve and No Binding



Let's reject ~500 MW of low priced supply offers

Monthly Reconfiguration Auction – Clearing (Reliability Review Impact)



Monthly Reconfiguration Auction – Results

Resource A			
Event	CSO	Rate	Credit/Charge
FCA	180	2.001	360,180
ARA	10	1.353	13,530
MRA	-5	2.01	-10,050
Total	185		363,660



Monthly Reconfiguration Auction – Results

Resource B			
Event	CSO	Rate	Credit/Charge
FCA	2.6	2.001	5,202
ARA	-	-	-
MRA	-1.1	2.01	-2,211
Total	1.5		2,991



Monthly Reconfiguration Auction – Results

Resource C			
Event	CSO	Rate	Credit/Charge
FCA	-	-	-
ARA	2	1.353	2,706
MRA	-1	2.01	-2,010
Total	1		696



Questions

Monthly CSO Bilaterals

Capacity Supply Obligation Bilateral (CSOB) – Overview

- Contract between two parties to transfer CSO between two resources
 - Find counterparty prior to entering CSO bilateral contract
- Price and MW amount are fixed
- Bilateral contracts are subject to resource and system topology limits
 - Fixed zonal limits will be truncation points
 - Can be rejected for reliability



Capacity Supply Obligation Bilateral (CSOB)

Capacity Transferring Resource

- Reduces amount of capacity supply obligation (CSO) for resource (if approved)
- Lead participant of transferring resource **pays** bilateral price x submitted MW
 - Still receives payment from applicable auction

Capacity Acquiring Resource

- Increases amount of CSO for resource (if approved)
- Lead participant of acquiring resource **receives** bilateral price x submitted MW

Note: Unlike ARTs, CSO bilateral contracts transfer CSO on their own



Example: Submitting Capacity Supply Obligation Bilateral

Bilateral Between Two Resources

- Lead participant must identify resources involved, MW amount being transferred, and may indicate price
- Term is determined by current open window
 - If no price entered, default price is \$0/kW month
 - Either transferring or acquiring participant can submit contract

The screenshot shows a web form for submitting a capacity supply obligation bilateral contract. The form is titled "Type*" with two radio buttons: "Transferring MW" (selected) and "Acquiring MW". Below this, there are several input fields: "Submitting Resource Name (ID)*" with the value "Company ABC", "Available MW" with the value "112,500", "MW*" with the value "9", and "Price" which is empty. There is also a "Reference ID" field with the value "123" and a "Comments" text area with the placeholder text "Allows 4000 characters". At the bottom, there is a section titled "Confirming Entity Information" which contains two fields: "Lead Participant (ID)*" with the value "Company ABC" and "Resource Name*" with a dropdown menu showing "GEN12345(12345)". A "Submit" button is located at the bottom right of the form.

Type* ☒ Transferring MW ☐ Acquiring MW

Submitting Resource Name (ID)* Company ABC

Available MW 112,500

MW* 9

Price

Reference ID 123

Comments Allows 4000 characters

Confirming Entity Information

Lead Participant (ID)* Company ABC

Resource Name* GEN12345(12345)

Submit

Capacity Supply Obligation Bilateral Reviews

Financial Assurance Review

- If resource lead participant does not have adequate financial assurance (FA), all transferring capacity supply obligation (CSO) bilaterals for that participant will be rejected
- If a CSO bilateral creates a deficit in FCM settlements to the transferring resource, deficit is held against FA of the lead participant owner through the review process
 - If bilateral contract is rejected in reliability review, FA is restored



Capacity Supply Obligation Bilateral Reviews

Reliability Review

- Transactions rejected in whole
- Multiple contracts between the same resources are evaluated as a single transaction
- Will take into account transmission and generator outage schedules approved for the month



Provisional Capacity Supply Obligation Bilaterals

Key Concepts

- Allows market participants to enter and confirm CSO bilateral contracts prior to CSO bilateral submission window
 - **Parking lot** where contracts can be placed until submission window opens
 - When a submission window opens, provisional CSO bilaterals that pass max transfer/max acquire limit validation are converted to CSO bilaterals
 - Contracts can be entered in all future CSO bilateral periods for which primary FCA is complete
- Does not change ordinary CSO bilateral submission and ISO review process
 - Converted provisional CSO bilaterals subject to ISO zonal restrictions, FA review, and reliability review



Who can submit a capacity supply obligation bilateral (CSOB) ?

- ✓ A. Lead participant for either the transferring or acquiring resource
- B. Only the lead participant for the transferring resource
- C. Only the lead participant for the acquiring resource
- D. ISO New England



Reconfiguration auctions and capacity supply obligation bilaterals (CSOBs) allow participants to:

- ✓ A. Transact capacity supply obligation (CSO)
- B. Transfer qualified capacity
- C. Trade CSO for qualified capacity
- D. Transfer capacity load obligation



Approximately how long are monthly CSO bilateral and monthly reconfiguration auction submittal windows?

A. 1.0 business days



B. 1.5 business days

C. 2.5 business days

D. 4.5 business days



Q6 of 6

Summary

In this lesson, you learned about:

- Capacity zones, demand curves, and processes
- Reconfiguration Auctions
- Annual Reconfiguration Transactions (ARTs)
- Capacity Supply Obligation Bilaterals (CSOBs)



User Guides

- Show how to participate in the market using ISO New England user interfaces and systems that capture and display information
- Can be found on ISO New England website at [Participate > Support > User Guides](#)

User Guide Title	Description
User Guide for the Forward Capacity Market Annual Reconfiguration Transactions	Explains the Forward Capacity Market’s Annual Reconfiguration Transaction submittal process
Forward Capacity Market CSO Bilateral Contracts User Interface	Explains annual and monthly CSO bilateral submittal process
Forward Capacity Market Reconfiguration Auction	Explains the annual and monthly reconfiguration auction process including demand bids and supply offer submittals



Questions