

## Problem Statement/Issue Charge – Quick Fix Process

### CP Non-Performance Penalty Stop Loss and Emergency Action Changes

#### Issue Source

This Issue Charge is presented by LS Power to address the misalignment between the recent BRA Clearing Prices and the Capacity Performance Non-Performance Charge Rate. This misalignment can be attributed to changes to the Reliability Pricing Model including Minimum Offer Price Rule (“MOPR”) and changes to the Market Seller Offer Cap (“MSOC”). The change to the MOPR allows a set of resources that were formerly subject to having to offer into the Base Residual Auction (“BRA”) at a minimum offer price to no longer be subjected to that requirement if they satisfy certain criteria. This change is bearish on BRA clearing prices. The change to the MSOC resulted in the shift of basing the MSOC on Net CONE (formerly Net CONE \* B) to Net ACR. However, when that change was implemented, the Capacity Performance Non-Performance Charge Rate remained based on Net CONE. The table shows the BRA Clearing Prices both before and after the implementation of the Net ACR-based MSOC. As the table shows, RPM Clearing Prices have been decreasing while the Capacity Performance Non-Performance Charge Rate has been increasing since the onset of the changes to RPM.

DY	BRA Date	RTO Clearing Price \$/MWD	Net CONE \$/MWD	Penalty Rate \$/MWhr
2021/2022	May 10, 2018	\$140.00	\$302.63	\$3,682.00
MSOC Complaint Filed Feb 21, 2019				
2022/2023	May 19, 2021	\$50.00	\$247.26	\$3,008.37
FERC Order Sept 2, 2021				
2023/2024	June 8, 2022	\$34.13	\$261.10	\$3,176.71
2024/2025	Dec 7, 2022	\$28.92	\$278.47	\$3,388.04

The lower BRA Clearing Prices and the increasing Capacity Performance Non-Performance Penalty Rate indicates that the Penalty Rate has become draconian rather than an incentive for performance and could be attributable to the disconnect of basing the MSOC on Net ACR while the Penalty Rate remains based on Net CONE. To put this disconnect into perspective, it would only take a less than 2 hour CP event in the 2023/2024 DY to erase the entire years’ worth of capacity payments.

#### Issue Content

The work will finalize a simple Open Access Transmission Tariff (OATT) revision to address the misalignment between the Net ACR MSOC process implemented with the 23/24 BRA and the Non-Performance Penalty Rate.

#### Key Work Activities and Scope

The stakeholders will review proposed, simple OATT revisions, presenting the finalized version to relevant stakeholder committees.

**Expected Deliverables**

Provide updated OATT and Manual language changes to relevant stakeholder groups.

**Decision-Making Method**

Tier 1, consensus

**Stakeholder Group Assignment**

This issue will use the Quick Fix (QF) process in accordance with Manual 34 section 8.6.1, and presented to the Markets & Reliability Committee (MRC) for approval.

**Expected Duration of Work Timeline**

Seeking stakeholder and FERC approval for simple OATT revisions for implementation in the 2023/2024 DY through the 2024/2025 DY.