



Replacement Transactions in RPM

Market Implementation Committee

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- Explain the difference between bilateral and replacement transactions in RPM
- Illustrate the use of replacement transactions

- Bilateral Transactions in the Reliability Pricing Model are transactions for capacity between a buyer and seller.
- Depending upon the type of transaction constructed, they may be for Available, Cleared or Unoffered capacity.
- Types include:
 - Unit Specific
 - Auction Specific
 - Cleared Buy Bid
 - Locational UCAP
- Bilateral transactions are described in Manual 18 Section 4.6.

- Replacement Transactions in the Reliability Pricing Model are transactions within a single eRPM account.
- Participants may specify replacement resources in order to avoid or reduce resource performance assessment shortfalls and the associated deficiency/penalty charges.
- Only Available capacity may be used as a replacement resource.
- May not be entered until after the EFORD values are locked down beginning November 30th prior to the start of the delivery year.
- Replacement Resources are described in Manual 18 Section 8.7.



Party A – Clears 90 MW in the BRA

Unit	ICAP MW	BRA Sell Offer EFORD	BRA Commitment (UCAP)	Final EFORD (Nov 30)	Final UCAP Value (MW)	Position UCAP
A	100	0.10	90			0

Prior to the 1st IA, Party A determines that their unit will be unable to meet any of its delivery year auction commitment



Party B – Has 90 MW UCAP available capacity

Unit	ICAP MW	Current EFORD	BRA Commitment (UCAP)	Final EFORD (Nov 30)	Final UCAP Value (MW)	Position UCAP
B	100	0.10	0			90


Unit B did not clear in the BRA and has 90 MW available UCAP based on its current EFORD of 10%

Party B – Sells its available ICAP to Party A

Unit	ICAP MW	Current EFORd	BRA Commitment (UCAP)	Final EFORd (Nov 30)	Final UCAP Value (MW)	Position UCAP
B	100	0.10	0			90


Unit Specific Bilateral Transaction

Party A Account



Party A uses Unit B as a Replacement


Unit	ICAP MW	Current EFORd	BRA Commitment (UCAP)	Final EFORd (Nov 30)	Final UCAP Value (MW)	Position UCAP
A	100	0.10	90			0
B	100	0.10				90



Replacement Transaction
Presumes current timing rule not in effect

- Party A creates a replacement transaction within their own account prior to 1st IA
- The available MW from Unit B are used to completely replace the BRA commitment on Unit A


Unit	ICAP MW	BRA EFORd	BRA Commitment (UCAP)	Final EFORd (Nov 30)	Final UCAP Value (MW)	Position UCAP
A	100	0.10	90	0.10	0	-10
B	100	0.10		0.20	80	80



- Party A has a 90 MW UCAP commitment covered by Unit B
- Final EFORd reduces Unit B UCAP value to 80
- Party A is now 10 MW short of their BRA commitment
- Unit B has now sold more capacity than the resource is able to deliver

What if Unit A remained modeled in eRPM?

Unit	ICAP MW	BRA EFORD	BRA Commitment (UCAP)	Final EFORD (Nov 30)	Final UCAP Value (MW)	Position UCAP
A	100	0.10	0			90
B	100	0.10	90			0



Replacement presumes current timing rule not in effect

- Unit B would have a 90 MW commitment due to the replacement transaction
- Unit A would restore all of its 90 MW of available capacity
- Replacement would enable Unit A to be re-sold into 1st IA
- If repeated, Unit A could be re-sold in up to 4 auctions for a delivery year
- Reselling could similarly be performed by DR and EE resources

Questions?