

Replacement Transactions in RPM

Market Implementation Committee

January 2015



Learning Objectives



- Define the rules regarding timing of replacement transactions
- Explain the rationale for rules regarding timing of replacement transactions
- Illustrate the use of replacement transactions



Replacement Capacity Transactions Timing Rules

- Sellers that commit a capacity resource for a given delivery year may specify replacement capacity if the original committed resource is incapable of meeting all or any part of its committed UCAP quantity thus allowing the seller to avoid commitment deficiency penalty for the replaced shortfall quantity
- Replacement capacity includes available uncommitted capacity either directly owned by the seller or obtained via bilateral transaction, and uncommitted Buy Bids cleared in any of the Incremental Auctions conducted for the Delivery Year
- Replacement capacity transactions may not be specified until final EFORD values are established for the Delivery Year (after November 30 preceding the Delivery Year)

Replacement Transaction Timing Rules Rationale

- The final EFORd value establishes a generation resource's final UCAP value and its available UCAP position relative to its UCAP commitments
- Not allowing replacement transactions until final resource positions are known prevents resource owners from:
 - selling more capacity than their resource can ultimately physically provide (as determined by Final EFORd)
 - replacing shortfalls that ultimately do not exist (as determined by Final EFORd)
- The timing restriction on replacement capacity transactions and rationale for timing restriction is consistent with that of Locational UCAP transactions

Example – Net-Long Generation Portfolio

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			
B	100	0.10	90			

Two 100 MW ICAP resources clear 90 MW in the BRA with a sell offer EFORD of 0.90

Example - Final EFORD Impact


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	0.15	85	(5)
B	100	0.10	90	0.02	98	8

At November 30th prior to the 3rd IA, final EFORD establishes resource position vs commitment:

- Resource A is 5 MW deficient and would face deficiency penalty for the shortfall unless replaced prior to start of Delivery Year
- Resource B has 8 MW of available, uncommitted capacity having 3rd IA must-offer requirement unless used as replacement capacity prior to the 3rd IA

Example – Replacement of deficient quantity using available MW

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	0.15	85	(-5)
B	100	0.10	90	0.02	98	8



- Prior to 3rd IA, participant uses length on Resource B to replace Resource A shortfall
- Resource A deficiency is cured and Resource B has 3 MW of available, uncommitted capacity which must offer into the 3rd IA unless transferred and used as replacement capacity prior to opening of 3rd IA

Questions?

