

## Capacity Market Reform

This template is being provided in addition to the options matrix to help stakeholders provide their high-level design concepts in context with all Key Work Activities. This may cover all or parts of the RASTF key work activities and seasonal capacity and should focus on design objectives and solution options. We are still in the solution options phase of CBIR. Therefore, this should not be proposals or packages at this time.

**Contributor: IMM**

### Concept Overview

A high-level summary to add context needed to help stakeholders understand your high-level design concept.

- The capacity market is a competitive mechanism that exists to make the energy market work.
- Goal is to define the essential, realistic, implementable elements of a capacity market design.
- Eliminate unnecessary complexity (do not add more).
- Eliminate unnecessary risk.
- Must offer/must buy obligations applied uniformly.
- Capacity market is not a form of energy market scarcity pricing.

How does your concept address reliability needs?

- Recognizes that performance obligation of capacity resources is continuous. All resources must perform when committed/dispatched.
- Recognizes that reliability standards and resource availability defined hourly.

How do you frame the definition of a capacity product in your concept?

- Physical assets
- Homogeneous product
- Deliverable



## Key Work Activity 2 - Reliability Risk and Risk Drivers

Determine the types of reliability risks and risk drivers to be considered by the capacity market and how they should be accounted for.

| Option 1   | Option 2                | Option 3                |
|--|-------------------------|-------------------------|
| <ul style="list-style-type: none"> <li>• Reliability target metrics               <ul style="list-style-type: none"> <li>• LOLE: loss of load expectation</li> <li>• EUE: unserved energy</li> </ul> </li> <li>• Expected performance of resources               <ul style="list-style-type: none"> <li>• EFORd: forced outage rate</li> <li>• EAF: equivalent availability factor (1 – all outage rates)</li> <li>• ELCC (hourly)</li> </ul> </li> <li>• Realistic/implementable               <ul style="list-style-type: none"> <li>• Correlations</li> <li>• Resource classes/fuel sources</li> <li>• Hourly</li> <li>• Historical data</li> </ul> </li> </ul> |                         |                         |
| Requirements for Option  | Requirements for Option | Requirements for Option |
| <i>Use this area to describe whether the option has any critical dependencies with other key work activities or is incompatible with another option or concept.</i>  |                         |                         |

### Key Work Activity 3 - Procurement Metric and Level

Determine the desired procurement metric and level to maintain the desired level of reliability.

| Option 1  | Option 2                | Option 3                |
|---|-------------------------|-------------------------|
| <ul style="list-style-type: none"> <li>• Meet reliability standards                             <ul style="list-style-type: none"> <li>• Hourly</li> </ul> </li> <li>• Account for actual characteristics of resources                             <ul style="list-style-type: none"> <li>• Hourly availability</li> <li>• Locational/nodal availability</li> </ul> </li> </ul> |                         |                         |
| Requirements for Option   | Requirements for Option | Requirements for Option |
| <i>Use this area to describe whether the option has any critical dependencies with other key work activities or is incompatible with another option or concept.</i>   |                         |                         |

## Key Work Activity 4 – Performance Assessment

Determine the performance expected from a capacity resource.

| Option 1   | Option 2                | Option 3                |
|--|-------------------------|-------------------------|
| <ul style="list-style-type: none"> <li>• Performance obligation is continuous</li> <li>• Must perform when committed/dispatched</li> <li>• PAI not relevant</li> </ul> |                         |                         |
| Requirements for Option  | Requirements for Option | Requirements for Option |
| <i>Use this area to describe whether the option has any critical dependencies with other key work activities or is incompatible with another option or concept.</i>    |                         |                         |

## Key Work Activity 5 – Qualification and Accreditation

Determine the qualification and accreditation of capacity resources.

| Option 1  | Option 2                | Option 3                |
|---|-------------------------|-------------------------|
| <ul style="list-style-type: none"> <li>• Physical assets</li> <li>• Homogeneous product</li> <li>• ELCC (effective load carrying capability)                             <ul style="list-style-type: none"> <li>• Intermittent</li> <li>• Storage</li> <li>• Thermal</li> </ul> </li> <li>• CIRs (capacity interconnection rights)</li> <li>• Firm fuel</li> <li>• Testing</li> </ul> |                         |                         |
| Requirements for Option   | Requirements for Option | Requirements for Option |
| <i>Use this area to describe whether the option has any critical dependencies with other key work activities or is incompatible with another option or concept.</i>   |                         |                         |

## Key Work Activity 6 – Obligations of Capacity Resources

Determine the desired obligations of capacity resources.

| Option 1  | Option 2                | Option 3                |
|---|-------------------------|-------------------------|
| <ul style="list-style-type: none"> <li>• All capacity resources have the same obligations</li> <li>• The obligations of capacity resources:               <ul style="list-style-type: none"> <li>• Deliverable energy at ICAP</li> <li>• Must offer in capacity market</li> <li>• Must offer in energy market (ICAP)</li> <li>• Outages must be reported</li> <li>• Energy from capacity resources is recallable in an emergency</li> </ul> </li> </ul> |                         |                         |
| Requirements for Option   | Requirements for Option | Requirements for Option |
| <i>Use this area to describe whether the option has any critical dependencies with other key work activities or is incompatible with another option or concept.</i>   |                         |                         |

## Key Work Activity 7 – Enhancements to the Capacity Procurement Process

Determine if there are needed enhancements to the capacity procurement process.

| Option 1  | Option 2                | Option 3                |
|---|-------------------------|-------------------------|
| <ul style="list-style-type: none"> <li>• Must offer uniformly applied to all capacity resources</li> </ul>  |                         |                         |
| Requirements for Option   | Requirements for Option | Requirements for Option |
| <i>Use this area to describe whether the option has any critical dependencies with other key work activities or is incompatible with another option or concept.</i> |                         |                         |

## Seasonal Capacity Construct

Items related to a seasonal capacity market construct.

| Option 1  | Option 2                | Option 3                |
|---|-------------------------|-------------------------|
| <ul style="list-style-type: none"> <li>• Accounting for hourly need for energy is preferable to seasonal capacity approach.</li> <li>• No need for seasonal capacity design.</li> </ul> |                         |                         |
| Requirements for Option   | Requirements for Option | Requirements for Option |
| <i>Use this area to describe whether the option has any critical dependencies with other key work activities or is incompatible with another option or concept.</i>                     |                         |                         |

## Key Work Activity 9 – Supply-side Market Power Mitigation Rules

Determine if supply-side market power mitigation rules in the capacity market need to be enhanced.

| Option 1   | Option 2                | Option 3                |
|--|-------------------------|-------------------------|
| <ul style="list-style-type: none"> <li>• Net ACR per FERC order does not need modification</li> <li>• CPQR does not need modification</li> <li>• Forward looking EAS offset</li> </ul> |                         |                         |
| Requirements for Option  | Requirements for Option | Requirements for Option |
| <i>Use this area to describe whether the option has any critical dependencies with other key work activities or is incompatible with another option or concept.</i>                    |                         |                         |