

Vistra Energy

ORDC Order Feedback

June 10, 2020

- Between the two approaches presented at the June 3 MIC, Vistra is more supportive of the IMM's framework, which bases the analysis on forward energy prices.
 - We believe that starting the analysis with a historical E&AS calculation may miss key fundamental market dynamics, like significant coal retirements and combined cycle new builds, and is not necessarily going to give a good representative of future E&AS revenues.
 - For instance, a historical E&AS may show significant E&AS revenues for a coal plant, but even if scaled to account for improving future heat rates, that is not necessarily a good starting point for thinking about coal operations and profitability in a future delivery year.
 - As a result, the IMM's framework appears more directly responsive to the FERC directive.

How We Analyze Our Likely Future Performance



- Forward prices
 - If sufficiently liquid, we would prefer to use the hub closest to the generator, like AD or NI, but acknowledge you would want to use West hub if not comfortable that the others are sufficiently liquid.
 - Out of abundance of caution and if there is concern about market participants seeking to influence the forward prices on a particular stated date, PJM could specify, e.g., a one month window during which they would pull the forward prices, and, as an additional layer of clarity, ICE could confirm that trading activity on the day in question was well-behaved.
- Forward basis from hub to zone to our generator node
 - We base this on a combination of future period FTR clears and transmission losses.
 - This has a seasonal shape, i.e., is not a fixed offset.
- Historic hourly shape
 - We create a set of hourly shapes, 5x16, 2x16, 7x8, based on historic shapes. We do this by month, and by zone or region.
- Historic and Forward volatility
 - We derive this from options trades (future periods), history, and the gas market, to the extent the relationship between the power and gas markets show volatility that justifies the additional complexity.

We then run these inputs through our model, looking at numerous pricing path runs, and take the average for our expected value.