



E&AS Offset Proposal for Net CONE

20100412 SPWG – ITEM 4

- The Net CONE for the reference unit is the CONE less the Net Energy and Ancillary Service Offset (E&AS Offset)
- The E&AS Offset is based on the net energy revenues of a 10,500 btu/Kwh heat rate CT plus ancillary service revenues
 - Net energy revenues are determined based on real-time, Peak-Hour Dispatch basis and are equal to revenues less the running cost and start-up costs
 - Done based on historic LMP and fuel cost over the three most recent calendar years prior to the BRA
 - Net energy revenues include scarcity/shortage revenues that may have been collected in historic years

- Some stakeholders have offered that the E&AS offset should be based entirely on the DA energy market as most generators that are RPM resources collect most of their revenues in the DA energy market
 - Concerns this may not capture revenues the reference CT would collect if not committed DA, but committed in RT
- Other stakeholders contend that shortage/scarcity revenues will also be reflected in the DA energy market based on expectations of shortage...
- ...and the reference CT would likely be committed in the DA market on days when shortage would occur and not see RT shortage revenues

- Treat reference CT as if it might be committed in the DA energy market
 - Reflects actual behavior and responsibilities as RPM resources must offer into the DA energy market
- If reference CT would be committed in the DA energy market, those revenues would be used and not the RT energy market revenues
 - Would capture any reflection of anticipated shortage conditions in the DA market
- If the reference CT is not committed in the DA energy market and would be dispatched in the RT energy market, revenues are from the RT energy market