

LS Power Clearing Price Impact Election Proposal Summary

The LS Power Clearing Price Impact Election Proposal (“CPIE” proposal) is a capacity re-pricing proposal to accommodate state subsidized resources. The proposal removes the impact of the subsidized resources from the VRR curve where price changes are highly sensitive to small increases in supply and instead uses a weighted-average clearing price for the Rest of RTO LDA. This proposal also should mitigate the concern of bidding behavior changes that could result from both the PJM and NRG proposals

The CPIE proposal addresses the issue of what to do with the re-pricing “in-between” resources that would otherwise receive a capacity obligation but either do not as in PJM’s proposal, or have their obligations reduced as in the NRG proposal. Resources that clear the BRA with competitive offers are guaranteed a capacity obligation provided they elected Capacity Price Impact Election prior to conducting the BRA, albeit at a lower clearing price if they are located in the Rest of RTO LDA.

Likewise, subsidized resources that did not clear the BRA are guaranteed a capacity obligation provided their non-mitigated offer prices are below the BRA clearing price.

The BRA is cleared using mitigated offer prices for state subsidized resource equal to $\text{Net CONE} * B$. This determines the total cost to load ($\text{LDA clearing price} * \text{quantity cleared} * 365$) which will not change through the remainder of the process. Note that LS Power is very open to changing the mitigated offer price to some other value such as ACR if that is the stakeholder preference.

Next, those subsidized resources that did not clear the BRA but have non-mitigated offer prices below the BRA clearing price are reintroduced back into the Rest of RTO supply curve (regardless of where they are located) which increases the quantity. A new clearing price for Rest of LDA is calculated by dividing the total cost to load in the Rest of RTO by the new quantity that includes the subsidized resources. This new price will be lower than the BRA clearing price but all resources that elected the Clearing Price Impact Election prior to the BRA and cleared the BRA receive a capacity obligation. The reason the subsidized resources are re-introduced to the Rest of RTO LDA rather than the LDA where located is to protect the BRA price signals for the smaller LDAs if and when they separate.

Next, any non-subsidized resource that did NOT elect the Clearing Price Impact Election prior to the BRA and has an offer price between the subsidized clearing price (after the subsidized resources are reintroduced to the Rest of RTO supply curve) and the BRA clearing price, are removed starting with the resource with highest offer price. This reduces the quantity and a new, increased clearing price is calculated by dividing the total cost to load by the new quantity. This process continues until equilibrium is achieved and a final Rest of Load LDA clearing price is determined.