
Explanation of a Possible Reserves Schedule, Service Schedule D

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Why a Reserves Schedule?

Why not Trade It Under C?

- What is an Operating Reserves Schedule?
 - Would define an operating reserves product.
 - As discussed, and consistent with approach in other regions, would have more stringent damages provisions than Schedules B or C.

Why a Reserves Schedule?

Why not Trade It Under C?

- Why not describe product in the confirm and trade Operating Reserves under Schedule C?
 - To foster ancillary services markets, FERC requires that market-based ancillary services trading occur under market-based tariffs that contain a product definition.
 - Drafting goal is to have sufficient product definition to satisfy FERC and facilitate Members obtaining market-based ancillary services tariff.
- Any other reasons?
 - A separate schedule can have more stringent damages provisions, which may facilitate purchaser's willingness to rely on the product.

The Schedule Itself

- Product: from generation capacity that can respond within applicable NERC etc. criteria.
- Purchaser is Regional Reliability Organization, BA or RSG.
- Price may have capacity (demand) and energy components

The Schedule Itself- Damages

- If Seller fails to deliver on dispatch and within agreed response times, Seller
 - forfeits capacity payment and any transmission charges for term of non-performance.
 - must provide capacity and energy for next 3 business days without payment or transmission charge.
 - pays additional cost of replacement energy + additional transmission cost.
 - reimburses Purchaser for any cost or penalties imposed by a third party (e.g., NERC, RRO).
 - And there's more...

The Schedule Itself- Damages

- If Purchaser or the BA or RSG to which Purchaser is providing the reserves, fails to take the quantity it dispatched, Purchaser pays
 - cost of energy not taken less any Seller revenue resulting from redirection.
 - any net additional transmission cost for redirect
- If the Purchaser uses the energy for other than qualified, reliability purpose, Purchaser pays
 - 125% of the resale price Seller otherwise could have obtained plus transmission.

Let's Discuss

- Support for–opposition to a distinct Operating Reserves schedule.
- Reactions to some of the provisions we have discussed.
 - Product definition
 - Damages