

## **Draft RPM Long-term Auction Outline October 14, 2011**

### **Introduction**

The MRC/RPM group has been discussing the potential for a long-term (LT) voluntary auction to support long-term contracting for buyers and sellers of capacity by providing longer-term capacity price signals and to address concerns regarding the current New Entry Price Adjustment (NEPA) provisions and the Minimum Offer Price Rule (MOPR) exception process. Below is a high-level layout of a potential format for such an auction.

### **Long-Term Auction Format**

1. Load Serving Entity (LSE) and supplier participation in the LT auction would be voluntary.
2. The LT auction would be conducted at least one month prior to each Base Residual Auction (BRA).
3. The LT auction would provide for buying and selling of Unforced Capacity (UCAP) for the following blocks:
  - a. 3-year term starting with the Delivery Year covered by the upcoming BRA.
  - b. 5-year term starting with the Delivery Year covered by the upcoming BRA.
  - c. 7-year term starting with the Delivery Year covered by the upcoming BRA.
4. Suppliers are permitted to specify resource-specific sell offers for one or more of the block periods.
  - a. Resource specific sell offers for the same resource but for different blocks may be coupled such that the clearing algorithm will select the offer that provides the highest net revenue (market clearing price minus the offer) to the seller.
5. LSEs could specify LDA-specific buy bids for one or more of the block periods.
  - a. Buy bids for different blocks may be coupled such that the clearing algorithm will select the bid that provides the lowest net cost (bid minus the market clearing price) option for the buyer.
6. LDA-specific buy bids can only clear against resource-specific sell offers located in the same LDA thereby maintaining 100 percent of LDA capacity import capability for future BRAs.

7. Long-term auction results are financially binding.
  - a. Cleared supply offers would receive the long-term RPM auction market clearing price.
  - b. Cleared buy bids would pay the long-term RPM auction market clearing price.
8. Cleared UCAP associated with resource specific sell offers would no longer be available to the seller for the block period for which it clears.
9. Cleared buys bids would be available to the buyer to be offered as supply including self-supply in the upcoming BRA and future BRAs.