

Modeling NEMA Contracts In the Allocation of Auction Revenue Rights April 2, 2003

Purpose

This paper describes how the NEMA Contracts, listed in Exhibit 1 of Appendix C of Market Rule 1, are modeled in the Auction Revenue Rights (ARR) allocation. It documents modeling decisions and provides guidance for consistent modeling of the contracts.

General Guidelines

NEMA Contract PODs

As specified in Section 4.2.2 of Appendix C, NEMA Contracts are delivered to the pnode of the contract holder. (In some cases, special aggregate ARR pnodes were created for this purpose.) This may differ from treatment of ET deliveries which could be modeled at the Load Zone or at specific pnodes as discussed in the March 28, 2003 Excepted Transactions White Paper.

NEMA Contracts that are also Excepted Transactions

Some Excepted Transactions are also included in Exhibit 1 as NEMA Contracts. In such instances, the contracts will be treated as NEMA Contracts up to the MW amount specified in Exhibit 1 for as long as they qualify for that treatment. This treatment provides the most advantageous treatment for which the contract is eligible.

Section 4.2.1 of Appendix C obligates NEMA Contract holders to provide notification to the ISO in the event of reductions in the amount of power contracted to be purchased. There is no provision for increasing the amount of a NEMA Contract.

If a NEMA Contract is also an Excepted Transaction, and the contract allows for an increase in MW values above that given NEMA treatment (such as an all requirements contract), the balance will be treated as an ET.

Unit Entitlements

Entitlements expressed as a MW amount will be modeled as that MW amount. Those having a percent of unit entitlement will receive that percent of the summer or winter Seasonal Claimed Capability, as appropriate.

NU System Power sources

The sources for NU system power contracts will be consistently modeled for all ETs and NEMA Contracts as described in the March 28, 2003 ET White Paper. The ARR.UN.NU aggregate pnode was created for this purpose.

Specific Contracts

Georgetown

Georgetown Entitlement 7 listed in Exhibit 1 was a system power contract for 2 MW supplied by Select Energy. Since the contract expired on December 31, 2001, it will not be modeled.

HQ Firm Energy Contract

In their July 11, 2002 cover letter clarifying NEMA Contract information, MMWEC contends the HQ entitlements remain eligible for ARR allocations because the municipal systems retain their rights to import energy over the HQ facilities. However, while listed on Exhibit 1 as a NEMA Contract, the HQ entitlement will not be modeled because the Firm Energy Contract expired on August 31, 2001.

Middleton

Middleton Entitlement 8 is listed in Exhibit 1 as an NU 10.5 MW system power contract. MMWEC submitted a system power contract for 10MW supplied by Select from NU sources. ISO-NE later learned that the remaining 0.5 MW was supplied by a PGET contract in place through December 2008. Since the 0.5MW contract was not provided by the October 1, 2000 deadline, only the 10 MW portion will be modeled as a NEMA Contract in the ARR allocation.

NYPA

Service under the NYPA Contract was to continue until June 30, 2001 unless extended on a month-to-month basis until October 31, 2003. In an agreement dated December 20, 2000, the term was extended to June 30, 2002. On March 22, 2002, it was again extended until October 31, 2003. However, Section 4.3 of Appendix C excludes “any optional extensions which had not been exercised as of November 1, 1999”. Thus, the NYPA Contract no longer qualifies for treatment as a NEMA Contract. However, it is an Excepted Transaction and will be treated as such in the ARR allocation until its expiration on October 31, 2003.

Reading

Reading Entitlement 6 listed in Exhibit 1 is an NU system power contract for a total of 30 MW. The NEMA Contract component is 15 MW and the remaining 15 MW is indicated as an Excepted Transaction. The 15 MW NEMA Contract is supplied by Incremental Base and Incremental Intermediate capacity as indicated in Reading’s September 22, 2000 transmittal of their NEMA Contracts. This will be modeled as NU system power delivered to the Reading pnode. As part of the effort to update and reach agreement on modeling of Excepted Transactions, it was determined that: 1) the ET component is actually 12 MW and is supplied by Fixed Base and Fixed Intermediate capacity; and 2) the remaining 3 MW of Fixed capacity is serviced under the NEPOOL Tariff.

Rowley

ET #45 (6.04 MW) is the same as Rowley Entitlement 1 (6.7 MW NU system power entitlement). Although the NEMA Contract amount exceeds the ET amount, 6.7 MW is consistent with the NEMA Contract and will be modeled as such. There is no remaining balance to be modeled as an ET.

Vermont Yankee Entitlements

The NEMA Contracts associated with the Vermont Yankee entitlements listed in Exhibit 1 expired October 31, 2002 and will not be modeled.