

ATTACHMENT B

I. LBMP CALCULATION METHOD

The Locational Based Marginal Prices ("LBMPs") for Generators and Loads will be based on the system marginal costs produced by either the Security Constrained Dispatch ("SCD") program, or during intervals when certain conditions exist at Proxy Generator Buses, the Balancing Market Evaluation ("BME") program, for Real-Time Market prices, or the Security Constrained Unit Commitment ("SCUC") program for Day-Ahead Market prices. For the Real-Time Market, the marginal cost of a Fixed Block Unit may only set LBMP when some portion of its Energy is necessary to meet Load, displace higher cost Energy, or satisfy Operating Reserves requirements. The marginal cost of a Fixed Block Unit that forces more economic units to be backed down will not set Real-Time LBMP unless it is needed to meet Load, displace higher price Energy or meet Reserve requirements. The marginal cost of a Fixed Block Unit will not set Real-Time LBMP at any other time including those times when it is scheduled solely to meet its minimum runtime requirements or because of other inflexibilities in its operation. For the Day-Ahead Market, the marginal cost of a Fixed Block Unit whose dispatch forces a more economical unit to be backed down shall in no event set the Day-Ahead LBMP.

LBMPs in the Real-Time Market are calculated using the following four passes in the Security Constrained Dispatch:

Pass 1 consists of a least cost commitment decision ideal dispatch that blocks on all minimum runtime constrained fixed block gas turbine units ("GTs") at their maximum operating limits. All other GTs are assumed to be dispatchable on a flexible basis (they can be dispatched anywhere between zero (0) MW and their maximum Capacity). This step will determine if it is

necessary to turn a GT on or off. It ensures additional GTs will not be turned on while there are sufficient uneconomic GTs that have not met their minimum runtimes.

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