Draft E&AS Revenues

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Regression Changes

- Move to lognormal regression: Better simulation of the process, both theoretically and practically.

- Shift to a single reserve margin variable across regions: this allows a better extrapolation across reserve margins.

- Gas Price Forecasting: Monthly Transco Z6 swaps combined with Henry Hub Forwards to yield monthly prices over the forecast period. Intramonth volatility (holding mean equal to forecast) taken from historic data.

Profit Forecast

- For day-ahead prices, essentially identical to previous reset:
  - Forecast hourly price from regression plus bootstrapped residual
  - Adjust for gas price changes and set hypothetical reserve margin
  - Day ahead Profit = Predicted price − gas price x heat rate − variable O&M

Profit Forecast (cont'd)

- Real Time Price is hourly integrated real-time price adjusted for ratio of predicted day ahead price to observed day ahead price.

- For hours not selected day ahead: profit calculated in same way.

- Looking at all hours, add startup fuel costs for initial hours, and reduce first hour's profit if it is a real time hour.

- Average Annual Profit Over 3 Year Period.
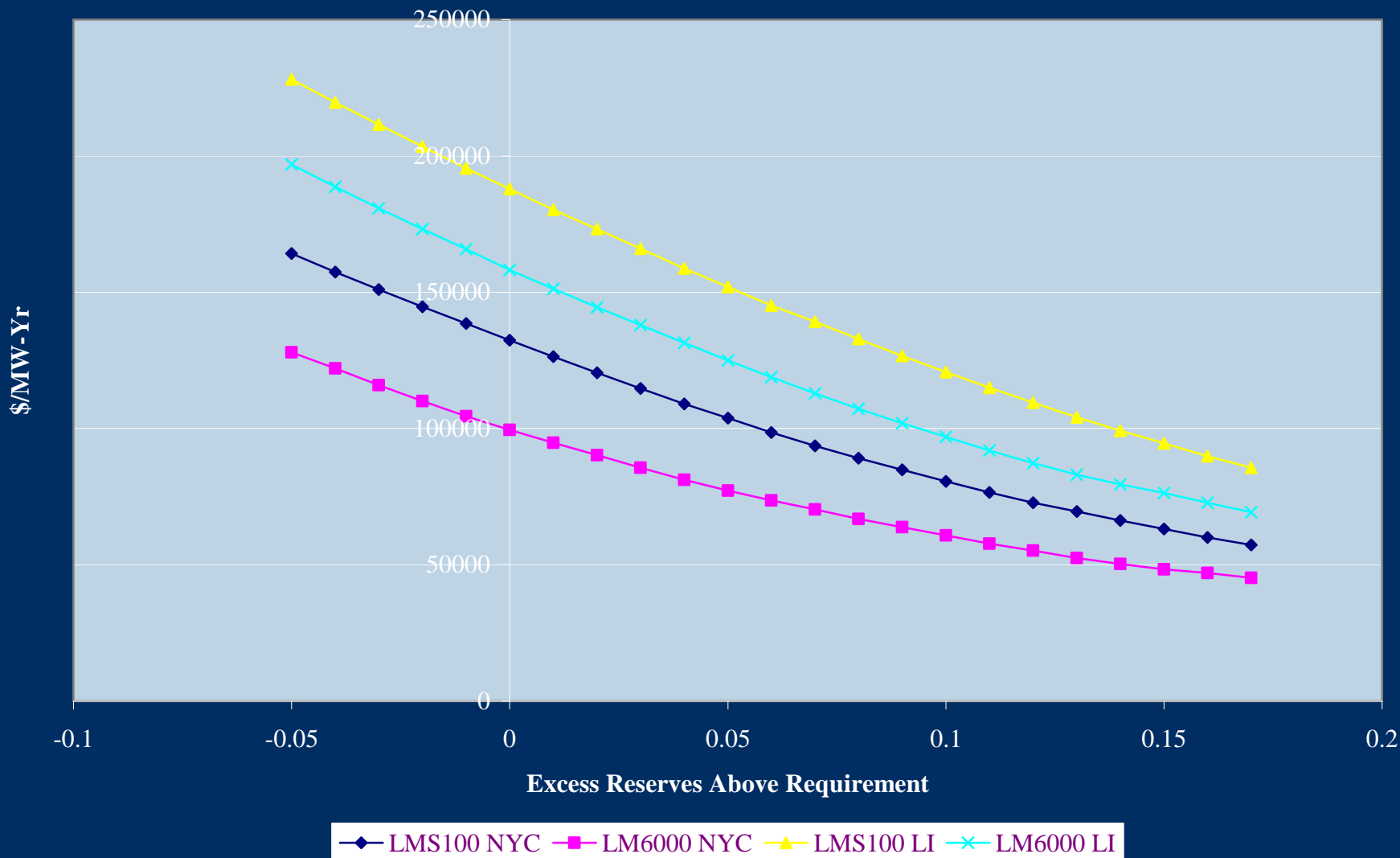
Profit for Frame 7 Units

- Commit day ahead only if maintenance-related start up costs can be covered.

- Add in real time hours and reassess, dropping blocks of hours which do not cover startup costs.
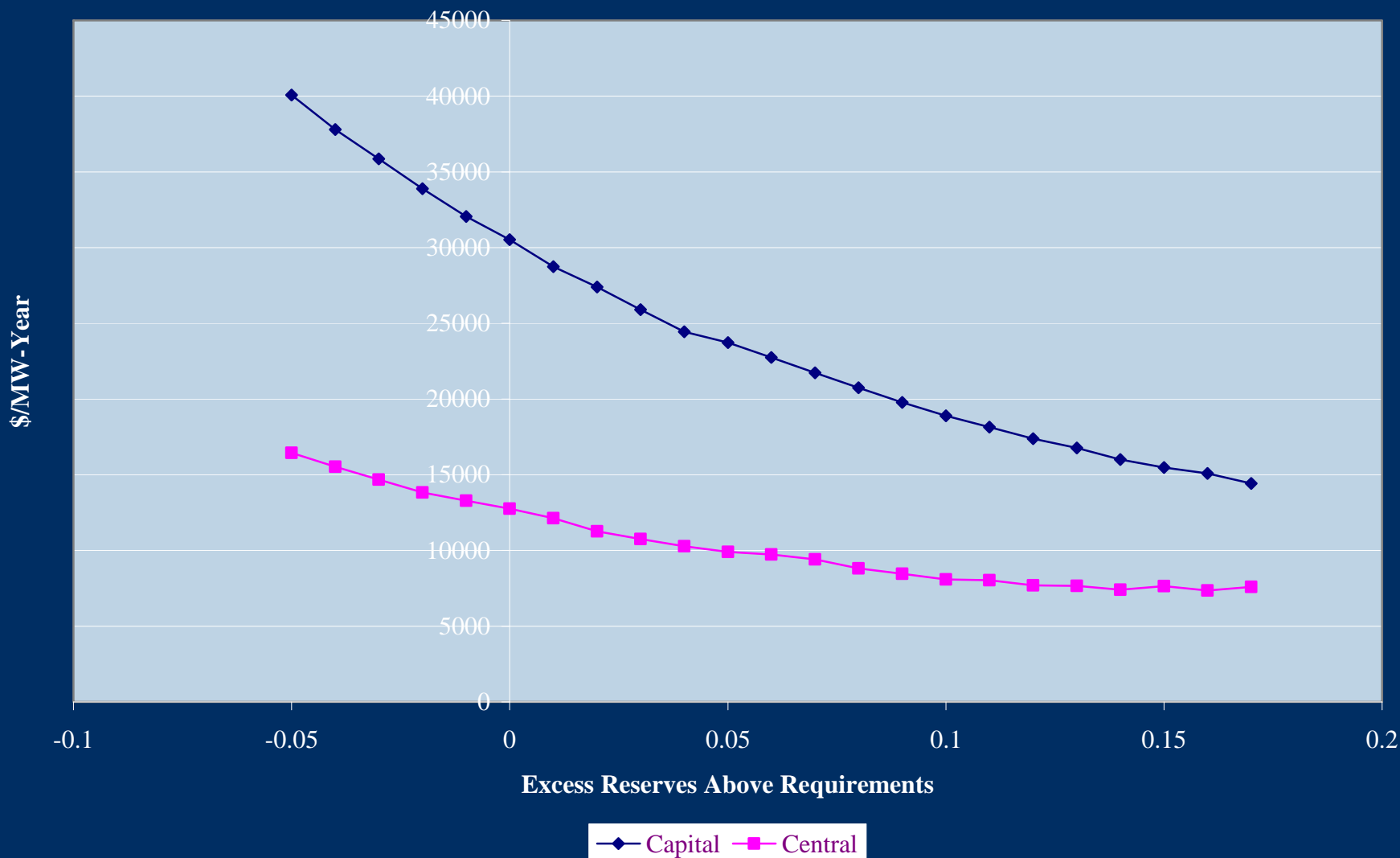
LMS100 and LM6000 Energy & Ancillary Service Curves: NY and LI

Legend: LMS100 NYC, LM6000 NYC, LMS100 LI, LM6000 LI

X-axis: Excess Reserves Above Requirement

Y-axis: $/MW-Yr

E&AS Curves: Frame 7 in Capital and Central

Frame 7 Energy and Ancillary Profits

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