

Incentive/Disincentive Framework

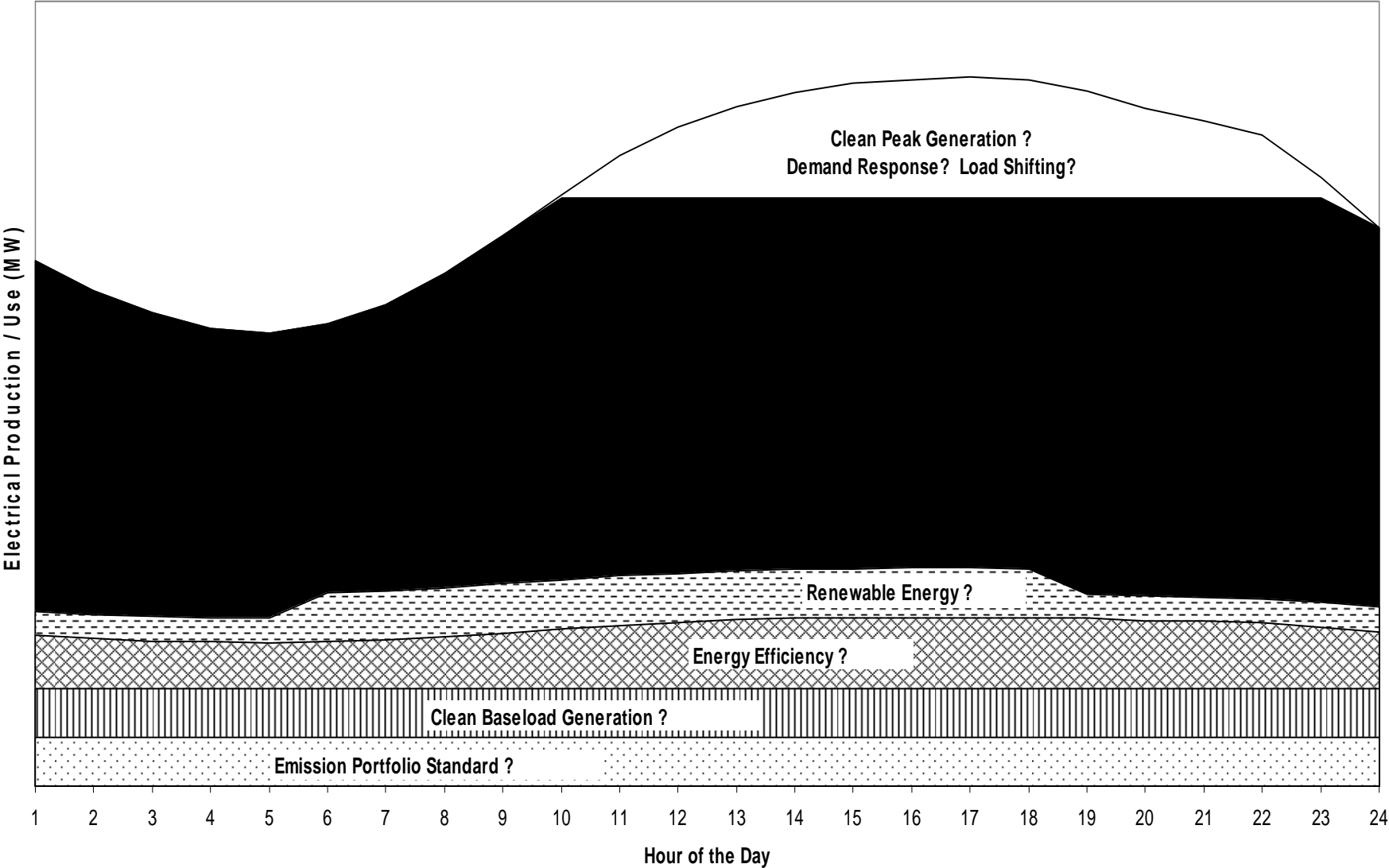
Costs

- Capital
- Fixed O&M
- Variable O&M

Revenues

- Energy
- Capacity
- Other

Conceptual Strategy for a High Electrical Demand Day



Incentives

- Increase capacity revenues?
- Make them less volatile?

Capacity Deliverability Problems

- Generation retirements
- A lack of new generation being built due to expectation of insufficient net revenues
- Load growth

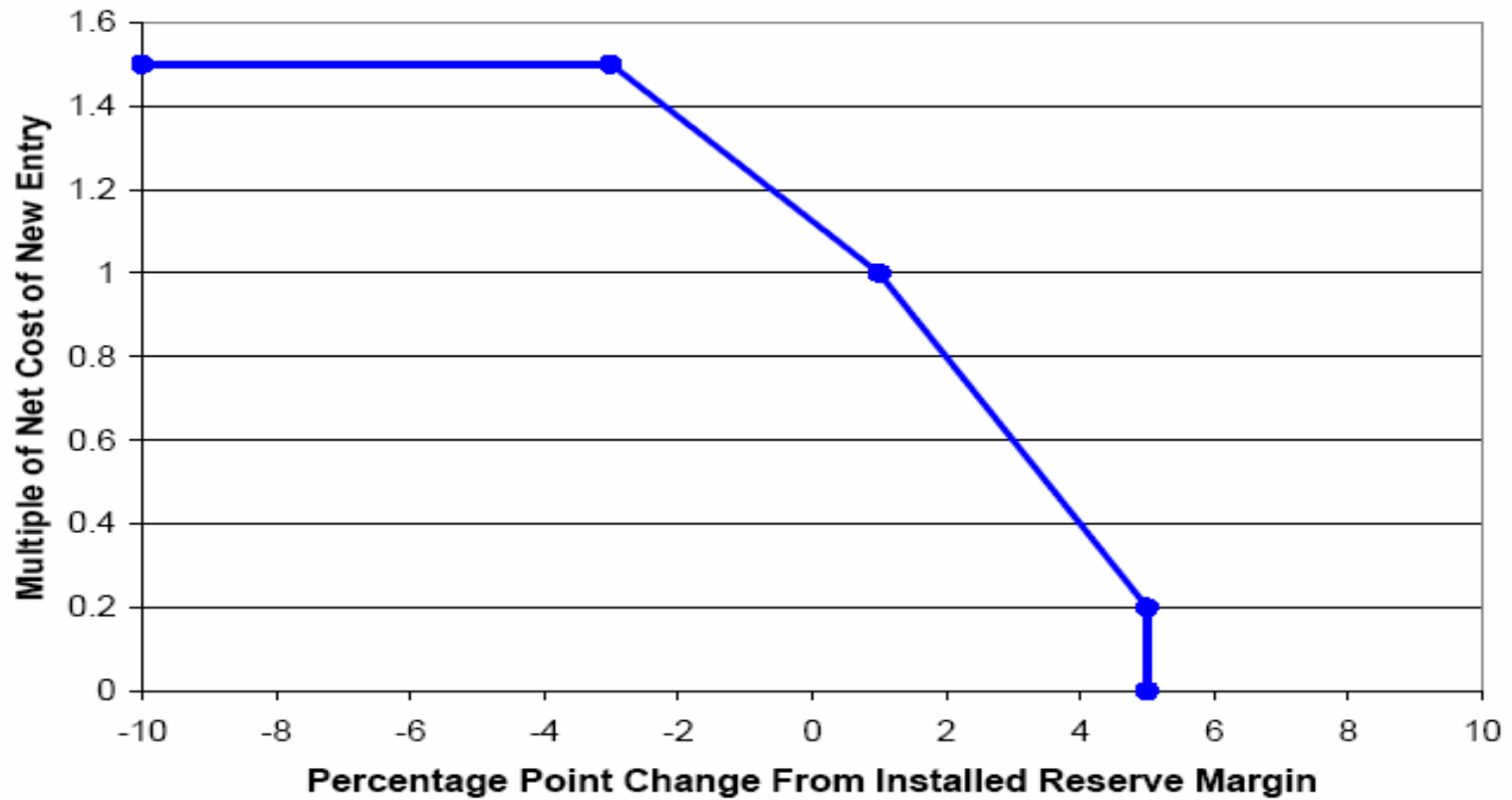
Reliability Pricing Model Critical Components

- Locational capacity requirements
- Three-year-forward procurement auction
- Downward-Sloping Demand Curve

Reliability Pricing Model Components

- Base and incremental auctions
- Transition Period
- Penalty of unavailability
- Demand Response and Transmission Participation
- Opt-out Option

Demand Curve



Other incentives

- Portfolio standards
 - Renewables
 - Emissions
 - Energy efficiency
- Grants/rebates

Disincentives

- Allowance multipliers
- Performance standards

