| **Topic** | **Key Concepts** |
| --- | --- |
| **Central Premises** | * It is in the best interest of the AR Group and OMU for KyMEA, through staffing and third party contracts, to perform scheduling, unit commitment, dispatching, short and long term resource planning, market interaction, and power supply related risk management functions on behalf of the KyMEA Members that choose to participate in the KyMEA Energy Pool. * The following draft assumes that will rely on KyMEA for those functions in order to relieve OMU of the need to self-perform and pay directly for those same functions. If OMU decides not to do so, then some modifications would be necessary. * OMU would plan to become an All Requirements Member of KyMEA upon retirement of ESS. |
| **Pool Participants** | * This draft assumes there would be two Pool Participants:   1. the KyMEA All Requirements Group (AR Group); and   2. OMU. * Participation would be open to other future KyMEA Members and the concepts described below would be scalable to a larger number of participants. |
| **Overarching Pool Concept** | * The pool should operate to the benefit of all Pool Participants. * The benefits and costs of the pool should be reasonably allocated among the participants. |
| **Term of Pooling Agreement** | * The term would extend from May 1, 2019 until terminated in accordance with the agreement. * Termination notice could be a minimum of 3 to 5 years. (A longer term would facilitate more effective resource planning.) * OMU’s separate participation could be terminated when OMU retires the ESS units and is provided All Requirements Service by KyMEA. |
| **Resource Planning** | * Planning of capacity resources to serve capacity requirements would be done separately for OMU and the AR Group, until the retirement of ESS and OMU commencing All Requirements service from KyMEA. * In all hours, each Pool Participant would provide enough capacity to meet that participant’s load, plus energy obligations from sales from that participant’s resources to others, plus reserve capacity requirements. * KyMEA would provide long term planning services for AR Members. * KyMEA could also provide long term planning services to OMU prior to OMU becoming an AR Member. * OMU would make all decisions about ESS units 1 and 2 and other capacity resources. * The AR Group Members would make all decisions regarding the capacity resources used to serve their loads. |
| **Unit Scheduling and Commitment** | * For this purpose,   + “Participant Load” includes the requirements of the participants to serve customers on their systems, plus obligations to deliver capacity and energy from the participant’s resources under bi-lateral contracts with parties that are not Pool Participants (e.g., capacity sales on behalf of OMU of surplus capacity into the PJM market).   + “Total Pool Load” includes Total Participant Load plus shorter term energy sales made by the pool to parties other than Pool Participants (“Pool Sales”).   + “Pool Resources” would include all resources purchased or owned by the Pool Participants * KyMEA would jointly schedule Pool Resources to serve the Total Pool Load based on the variable cost of production, variable cost of energy purchases, start-up costs, and contractual or technical limits on scheduling of each resource. * The KyMEA “operations group” would be provided the authority to arrange short term transactions commencing and ending within the next 30 days, subject to appropriate guidelines. Arranging transactions commencing more than 30 days out would involve phone meetings and other methods to implement various transaction approval processes. |
| **Market Participation** | * KyMEA would present one face to the market on behalf of the Pool Participants. * Pool Participants would have input and approval authority for multi-month or multi-year transactions being made on their behalf. |
| **Purchases of Energy from the Market** | * KyMEA would make energy purchases from the market to the extent economic opportunities arise or energy available from Pool Resources is insufficient to meet Total Pool Load. |
| **Meeting Capacity Requirements during Outages of Resources** | * If outages of resources cause a participant to be short of capacity, the short participant would first purchase capacity if and to the extent available from other pool members. * The determination of the amount of capacity and the price of that capacity purchased from other pool members, would be developed so the cost would mirror, but be more attractive than, the market opportunities available. An alternative approach would be for the short participant to pay for all energy obtained from the pool in excess of the participant’s available capacity at a multiple of CHP (the pool’s Clearing House Price). * If capacity is not available from other pool members, short term purchases of capacity from outside the pool would be arranged by KyMEA. The cost of that capacity would be passed through to the short participant. |
| **Marketing of Surplus Energy** | * KyMEA would be responsible to make energy sales to markets to the extent appropriate. * The after-the-fact energy accounting would determine the payments to the Pool Participants related to market sales of energy. |
| **Marketing of Surplus Capacity** | * To the extent OMU’s or the AR Group’s capacity resources exceed their respective total projected capacity requirements (annual peak load plus adequate reserves), KyMEA would market such “Surplus Capacity” on behalf of the applicable pool participant. * KyMEA would also market capacity for shorter terms to the extent opportunities present. * Capacity revenues and risks related to sales of Surplus Capacity would be allocated to the applicable pool participant for which the sale is made. |
| **Reserve Sharing** | * The reserve capacity provided by each participant would be available for dispatch to serve the combined loads of the Pool Participants, subject to appropriate energy accounting provisions. * There would be no obligation of OMU or the AR Group to make long term purchase of reserve, peaking, or surplus capacity from each other. Nothing herein is intended to preclude such transactions from being agreed to from time to time. |
| **Energy accounting methodology** | * On an after-the-fact basis, an hourly accounting would be done to determine the cost to the Pool Participants of serving their load and the revenue (credits) due to the participants that are providing energy to the pool. * The pool’s Clearing House Price (CHP) would be determined as the incremental cost of energy used in the hour to serve the Total Pool Load. CHP would be based on resources that are being scheduled, not on resources that are operating at minimum or a maximum output and would likely be for the last 10MW of so of load served. * If energy sales are being made by the pool to parties that are not Pool Participants (usually day-ahead or weekend-ahead), the benefit of those pool sales would be allocated primarily (e.g., 80%) to the participant(s) whose resource(s) produced energy in excess of their Participant Load and the remainder (e.g., 20%) to the participants buying energy from the pool to meet their Participant Load. * Generally, net sellers to the pool would be credited at the CHP for the energy provided to the pool and net purchasers would be charged at the CHP for the energy received from the pool. |
| **Contracts with the Market** | * The means of contracting for market purchases and sales would be accomplished in a manner such that credit related requirements are borne by the appropriate Pool Participant. * For instance, to the extent practical, purchases from and sales to the market would be made under separate contracts to facilitate this result. * This approach would also facilitate settlement procedures that would avoid undue cash flow impacts on any Pool Participant. |
| **Pool Settlement** | * The pool settlement would be consistent with the market to prevent creating undue cash flow issues for any Pool Participant. * The initial settlement is expected to be an estimate that would involve relatively minor true-ups in following periods. |
| **Operating Committee** | * An Operating Committee of representatives from all Pool Participants would meet monthly to review pool transactions and procedures and develop and adapt pool procedures as necessary. * Decisions of the Operating committee would be based on consensus. |