FRR or RPM Election

Financial Settlement Non-performance Charge Risk

- CP product charge rate: $3,008/MWh, annual stop-loss at $135,375/MW-Year (45 hours)
  - Example: 1,300 MW with 1 hour of non-performance is $3.91 million (1,300 x $3,008 x by 1 hour)

Physical Settlement Non-performance Charge Risk (available only to FRR entities)

- CP product charge rate: ~$1,200/MWh, annual stop-loss at $36,500/MW-Year (½ of total FRR commitment)
- This option requires adding incremental resources the following year at a rate of 1.66% of the shortfall
  - Example: 1,000 MW with 2 hours of non-performance requires incremental capacity of 33 MWs (1,000 MWs x 2 hours x 1.66%) added to the following year's plan

FRR allows the netting of resources performances

- Over performance from one unit can offset underperformance from others

FRR allows sale of length into RPM

- Requires a 3% capacity hold back before selling into RPM

FRR optimizes the value of the Power Coordination Agreement (PCA)

- Enhances the value of the PCA because members length act as a hedge for underperformance from other members due to the diversity of resources

Recommendation:

- OPCOs elect FRR for DY 2022/2023 to reduce potential costs & risks

Rockport Performance & Stub Agreement

AEP Rockport 2 Lease expires as of December 7, 2022

- Partial year commitments are not viable in FRR without sufficient resource length
- Creates a “stub” issue in capacity plan as lease does not align with PJM Planning Year (June - May)

Stub Agreement Terms

- April 2019 stub agreement signed by I&M
- Outlines terms for 2022/2023 transaction to bridge the lease period and the Delivery Year ending May 31, 2023
- I&M will pay lessors for capacity from December 8, 2022 through May 31, 2023 at the RTO BRA clearing price

Base Residual Auction Offers: Estimated BRA Position by OPCO

AMERICAN ELECTRIC POWER
BOUNDLESS ENERGY™

MW UCAP		APCO (1)	I&M (2)	KPCO (3)	WPCO (4)	TOTAL (5) = (1+2+3+4)
2022/2023						
Generation (UCAP using EFORD 5y)	*a*	6,143	4,450	1,308	663	12,564
DR	*b*	55	222	4	0	280
Available Capacity (UCAP)	***c=a+b***	**6,198**	**4,671**	**1,312**	**663**	**12,844**
Preliminary FRR Load Obligation at BRA	*d*	5,992	4,193	1,028	666	11,880
Estimated Final FRR Load Adjustment	*e*	0	0	0	0	0
Final BRA FRR Obligation (UCAP)	***f=d+e***	**5,992**	**4,193**	**1,028**	**666**	**11,880**
RPM Sales (UCAP)	***g***	**0**	**0**	**0**	**0**	**0**
Position (UCAP)	***h=c-f-g***	**206**	**478**	**284**	**(2)**	**965**
Potential MW UCAP - New Assets & Rerates	*i*	0	12	0	0	12
Final Position (UCAP)	***j=h+i***	**206**	**490**	**284**	**(2)**	**977**
3% Threshold Quantity (Holdback)	***k***	**180**	**126**	**31**	**20**	**356**
Available MWs	***l=j-k***	**26**	**364**	**253**	**(22)**	**620**