



# Qualified Upgrade Awards Calculation Mechanics

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**At the completion of this presentation, you should be able to understand the calculation mechanics of Qualified Upgrade Awards (QUAs).**

**A five-bus QUA example based on the FTR Auction example in section 6 of Manual 06 is located on [http://www.iso-ne.com/smd/FTR\\_ARR/Technical\\_Sessions/June\\_3\\_2002](http://www.iso-ne.com/smd/FTR_ARR/Technical_Sessions/June_3_2002).**

**This five-bus example file was prepared when QUAs were referred to as Interim Incremental ARRs: [Manual\\_06\\_Interim\\_Incremental\\_ARR\\_Example.pdf](#).**



# Understanding the Calculation Mechanics of QUA ARR's



# What are Qualified Upgrade Award ARR's?

## Qualified Upgrade Award ARR's are ...

- A Qualified Upgrade Award ARR provides a right to entities who provide an upgrade to the transmission system which is not included in the Pool RNS Rate to receive ARR's that are consistent with the increase in FTRs that clear the FTR Auction as a result of the transmission upgrade.
- Qualified Upgrade Award ARR's awarded to an entity who pays for transmission upgrades will not be subject to reduction in Stages 2, 3, and 4 of the ARR Allocation process.
- The Qualified Upgrade Award ARR (QUA) methodology is to be effective until a permanent process is implemented (December 2004).

## How are Qualified Upgrade Award ARR's obtained?

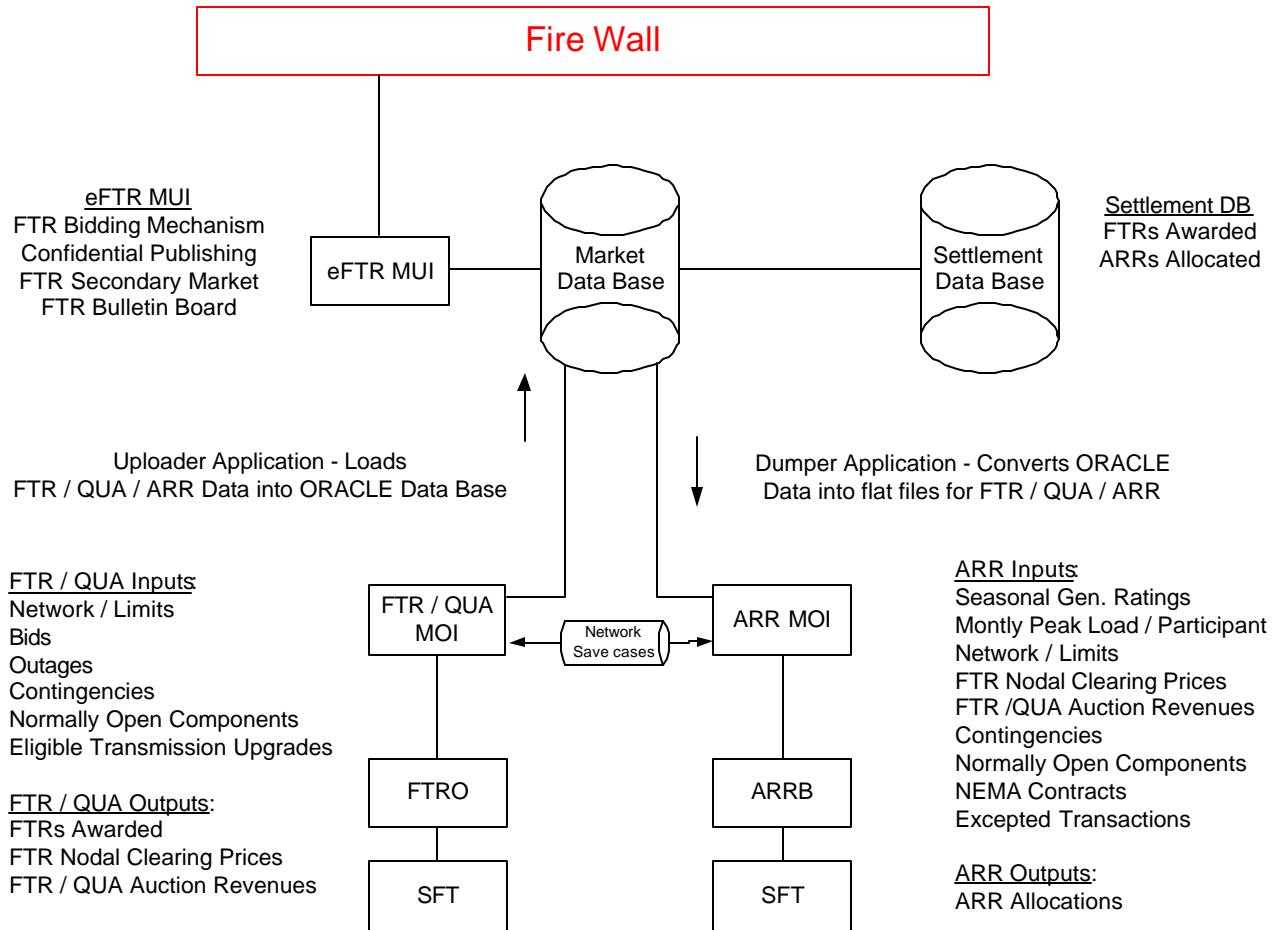
### **Qualified Upgrade Awards are obtained through the auction ...**

- The original FTR Auction is repeatedly conducted with and without a set of eligible transmission upgrades and the difference in FTRs are priced at the original FTR Auction's Clearing Price yielding the QUA value for the upgrade.
- The QUA payment is in direct proportion to the percentage of the costs of the upgrade paid for by an entity to the extent that the costs are not reimbursable under the Pool RNS Rate.



# The FTR / QUA / ARR Process

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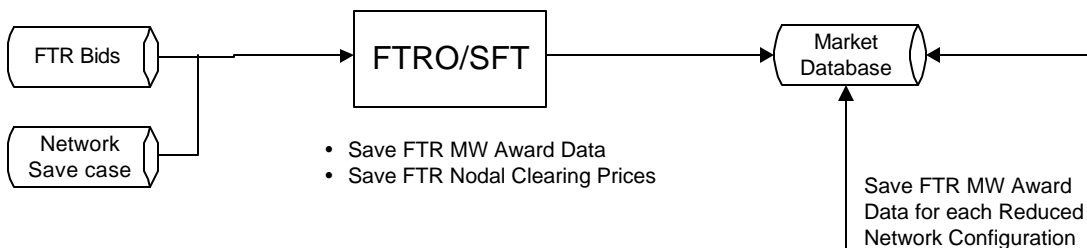




# The QUA Procedure

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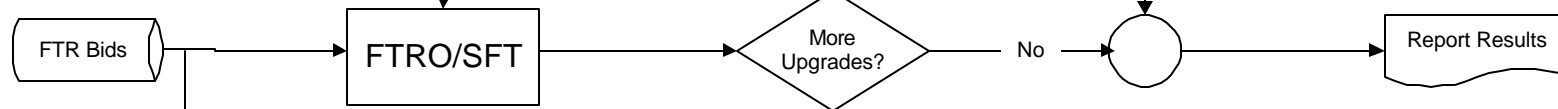
## FTR Auction



## Auctions Held Each Month

- Long-Term On-Peak Auction
- Long-Term Off-Peak Auction
- Monthly On-Peak Auction
- Monthly Off-Peak Auction

## QUA Allocation



Upon completion of the QUA Process, determine payments due to each of the eligible QUA upgrades. Also, calculate the Auction Revenues remaining to distribute under the Four-Stage ARR Process.

### Notes on the QUA Calculation Process

- Auction Value of Reduced Network Configuration = [Original FTR Path Clearing Prices] \* [FTR MW Award for Reduced Network Configuration]
- Value of each QUA = [Auction Value of Reduced Network Configuration after Upgrade] - [Auction Value of Reduced Network Configuration before Upgrade]
- If the Value of any QUA is less than zero, set the Value of the QUA to zero. (No QUA Holder will be required to make a payment in the QUA process).
- FTR Auction Revenues remaining after payments have been allocated to the QUA Holders are allocated in the Four-Stage ARR Process .

John Lally  
March 6, 2003



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**Questions?**