

Weekly Procurement Process

Overview of Proposal

Introduction to WPP

- The ICT filing included Entergy's Proposed Weekly Procurement Process (WPP)
- The WPP is designed to:
 - Facilitate the granting of more transmission service
 - Allow “displacement” of existing network resources in favor of cheaper alternatives
- This will be accomplished through “Simultaneous Optimization” of existing service and new requests, subject to transmission constraints
 - Optimization model will include most recent Transmission base case

WPP vs Current Weekly RFP

- Current Weekly RFP process is one-at-a-time:
 - Granting of transmission service is separate from procurement
- Proposed WPP process is a simultaneous optimization
 - Considers all IPP offers submitted by participating customers
 - Considers variable cost of all NRs of participating customers
 - Considers all transmission constraints and customer reliability requirements (e.g. load following)
 - “Finds” least cost lineup that meets all reliability needs
- New process offers the potential for additional substitution by IPPs
 - Degree of substitution will be dependent in part on the nature of the IPP offers and the degree of IPP participation

Granting Transmission Service

- We will offer weekly and daily service to Network and PTP customers through the WPP
 - Network customers submit cost information for existing NRs and market bids from new resources and request optimization
 - PTP customers submit MW, POI/POW and cap on redispatch cost
- All previously granted firm service will be protected in the weekly process
- AFCs are irrelevant in WPP process – they are not a limit on what firm transmission service can be sold out of a resource
- New transmission “base case” for the week will be developed following the WPP, reflecting firm service granted through the WPP

Bids into the WPP

- Any merchant generator connected or with firm service to the transmission system may participate in the WPP
- Each bid for network status must be specific to a particular network customer and submitted through that customer
- Bids will be heat rate bids (curves or blocks) indexed to gas prices
- Bids may include start-up and minimum run costs
- No bid can be contingent on the acceptance of another bid

Role of ICT in WPP

- The ICT will oversee the administration of the WPP
 - Input into the selection of the optimization model
 - Review optimization model inputs and results
 - Monitor calculation and allocation of redispatch costs
 - Approve conditional resources
 - Oversee recalculation of transmission capacity after WPP
- ICT will be the entity that actually grants transmission service – based on WPP results
- Weekly Operations will consult with ICT on WPP structure & improvements

Role of Weekly Operations

- Weekly Operations will be responsible for running the WPP:
 - Enter most current transmission data (base case) into WPP SCUC optimization model
 - Accept and enter bid data from EMO and participating NCs
 - Determine results of WPP, including the redispatch rate
 - Notify ICT of the WPP results

Role of EMO/Participating NCs

- As today, EMO and the participating Network Customers will be responsible for “contracting” with bidders:
 - Establish bid requirements, for example credit
 - Provide qualified bid details to Weekly Operations
 - Based on WPP results, settle with winning bidders
 - Pursue claims for non-performance with winning bidders
- EMO and participating NCs can continue to contract outside of the WPP for shorter or longer term supply
- EMO and participating NCs will also designate “Conditional Network Resources”

Conditional Network Resources

- Participating Network Customers that secure new resources through the WPP are required to “de-list” existing long-term NITS resources within the same area
 - Become Conditional Network Resources
 - Can be re-qualified if other unit experiences forced outage
 - Can be used to sell off-system (subject to AFCs)
 - Prevents transmission system being “over reserved”
 - Analogous to de-listing/displacement option offered today for network service

WPP Key Principles

- All network transmission customers – including EMO -- will have equal priority in the granting of service through the weekly process
- No participating entity can be made worse off as a result of the WPP process
- All participating Network Customers must submit bids equal to their displacement requests. The WPP will not result in an exchange of energy among WPP participants. This is not a central market or a pooling arrangement
- PTP customers will pay higher of redispatch or embedded cost

New Service With Redispatch

- Weekly Operations will calculate a cost-based redispatch “rate” for the applicable new transmission service
- The optimization runs for the WPP are used to calculate the redispatch rate
- This rate is applied to the applicable new service (PTP and NRIS) on pro-rata basis
- New service granted through WPP will be considered firm