

Short-term Preemption and Competition (STPC) Update

Continuation of July 21 CBPI

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Objective

- Continue giving a preview of the upcoming changes to the Preemption of Short-term Requests and Reservations BP.
 - Major changes to how to exercise Right of First Refusal (ROFR).

Preemption BP Previews (ROFR Changes)

First – What has not Changed

- ROFR is reserved for conditional PTP reservations that are challenged by longer-duration PTP requests.
- The basic concept of ROFR has not changed. To exercise ROFR means to agree to match the duration (not the MW) of the Challenger request.
- There can be multiple Defenders identified that are all eligible for ROFR.
- All of these ROFR Defenders are notified simultaneously.
- All ROFR Defenders have 24 hours to make a decision.
- A ROFR is not guaranteed to be accepted. There may not be sufficient ATC to grant ROFR to all eligible Defenders.
- ROFR decisions are binding. There is no Counteroffer or Rebid once a customer agrees to match.

Summary of ROFR Changes

- More options, more flexibility.
- More for the customer to consider.
- A bit more customer clicks.
- New screens and data structures involved.
- Customers will have new options for controlling how much capacity they are left with if their ROFR is unsuccessful.
- If the customer successfully exercises ROFR (successfully matches), it is no longer required to update tags with a new AREF.

Current ROFR Process

- A separate Request Type = Matching is used for ROFR.
- The Matching TSR is automatically created on OASIS in COUNTEROFFER status for the customer to consider. This Matching TSR is created with the minimum profile needed to match the challenger.
- The customer simply has to accept this Counteroffer (to exercise ROFR) or withdraw the Counteroffer (to decline).
- If the ROFR is successfully granted, the Matching TSR is CONFIRMED on OASIS with a new AREF.
- The customer must change their tags to use this new AREF or risk an over-use penalty.
- If the ROFR is unsuccessful, the customer may be left with unusable capacity.

Current ROFR Process with Matching TSR

- Currently, the ROFR is executed with a separate TSR called a Matching TSR which replaces the Defender reservation (Original or Redirect) if the ROFR is successful.
 - Example: A 5-day reservation is challenged by a 9-day request.

Before Preemption/ROFR:

100MW Original for 5 days

After Preemption/ROFR:

100MW Original for 5 days

100MW Recall for 5 days



100MW Matching TSR for 9 days

New ROFR Process – No Matching TSR

- The new standards eliminate the use of a Matching TSR.
- Instead, a customer who successfully exercises ROFR simply has the profile of the existing Defender reservation updated to the longer duration.

Before Preemption/ROFR:

100MW Original for 5 days

This is the customer's initial 5-day reservation.

After Preemption/ROFR:

100MW Original for 9 days

After ROFR, the customer has the same AREF, but it is now a 9 day reservation.

5 day initial profile...

...extended by 4 days
for ROFR

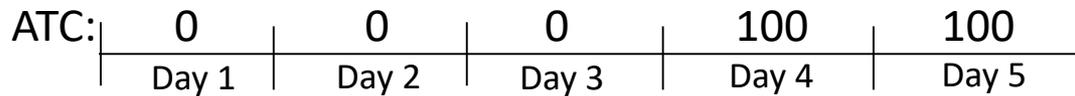
New ROFR Process – ROFR Requests

- The MATCHING TSR has been eliminated.
- A new structure on OASIS is used for ROFR called a ROFR Request. It is not a TSR. This has 2 profiles for the customer to define:
 - Matching Profile: The profile that is used to match the Challenger.
 - Remaining Profile: The profile that remains on the Defender TSR if the ROFR is unsuccessful or if the customer does not exercise ROFR.
- OASIS will automatically populate both profiles with defaults as an initial ROFR Notification to the customer.
- The customer can then modify one or both profiles or just submit these defaults as their ROFR Request.

Example ROFR Request pre-populated by OASIS

Defender: 100MW
Reservation for 3 days

Challenger: 25MW for 5 days



Default Matching Profile

Defender: 100MW
for 3 days + ROFR: 25MW for 2 days

Default Remaining Profile

Defender: 75MW
for 3 days

 25MW preempted

Example:

- 5 day Challenger needs 25MW for 3 days from the Defender.
- The Matching Profile is the minimum profile necessary to match the Challenger and exercise ROFR.
- The Matching Profile is the initial Defender profile plus the ROFR extension:
 - MW = max needed for the Challenger deficit.
 - Duration: the number of days to meet the Challenger duration.
- The Remaining Profile specifies what would remain if the ROFR is not granted. It reflects the minimum MW preempted to meet the Challenger needs₀

Defender Options for ROFR

The Defender has 24 hours to make one of the following ROFR choices.

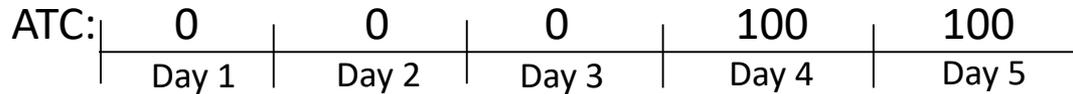
1. Exercise ROFR using the OASIS-provided defaults.
2. Exercise ROFR by modifying the Matching and/or Remaining Profiles.
 - a) Submit a longer-duration Matching Profile than the default.
 - b) Submit a lower Remaining Profile than the default.
 - c) Seek a 'Best Offer'.
3. Explicitly decline to exercise ROFR.
4. Do nothing.

Exercise ROFR: Use OASIS-provided Defaults

Defender: 100MW
Reservation for 3 days

'Play it Safe': Submit the minimum needed to match the Challenger.

Challenger: 25MW for 5 days



Default Matching Profile

Defender: 100MW
for 3 days + ROFR: 25MW for 2 days

Default Remaining Profile

Defender: 75MW
for 3 days

 25MW preempted

Considerations:

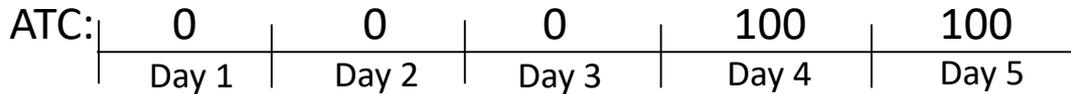
- Best chance of having ROFR successful.
- Easiest option to execute on OASIS. Least chance of error.
- If ROFR is unsuccessful, accept the default amount remaining after the Challenger preemption.
- Provides maximum certain amount of capacity remaining if ROFR loss.

Exercise ROFR: Longer-duration Matching Profile

Defender: 100MW
Reservation for 3 days

'Up the Ante': Submit a longer-duration Matching Profile than needed to meet the Challenger.

Challenger: 25MW for 5 days



Default Matching Profile is 5 days

Defender: 100MW
for 3 days + ROFR: 25MW for 2 days

Increased Matching Profile (e.g., 7 days)

Defender: 100MW
for 3 days + ROFR: 25MW for 4 days

Considerations:

- Example: Exceed the Challenger 5 days with a 7-day ROFR.
- If multiple Defenders with ROFR, longer duration wins.
- However, there is an increased chance that the ROFR will fail due to insufficient ATC.
- Considered a valid Matching Profile that can be used with:
 - Default Remaining Profile
 - Lower Remaining Profile
 - Best Offer

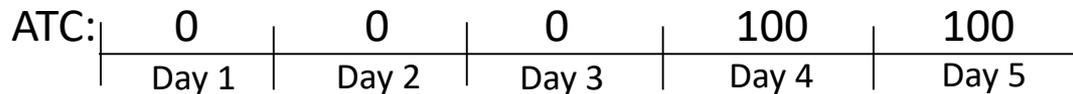
Note: Can only increase the Duration, not the Capacity MW.

Exercise ROFR: Lower Remaining Profile

Defender: 100MW
Reservation for 3 days

‘Protect the downside’: Used when trying to exercise ROFR, but also trying to cut your losses if you lose.

Challenger: 25MW for 5 days



Considerations:

- If ROFR unsuccessful, provides certainty that you will not be stuck with unusable capacity.
- Submit a valid Matching Profile.
- Submit a lower Remaining Profile than the default provided by OASIS (even zero).
- If the ROFR is unsuccessful, capacity will be recalled from the Defender AREF down to the specified Remaining Profile.
- Challenger gets what they need. The rest returned to ATC.
- Cannot be used with Best Offer.

Default Remaining Profile is 75MW

Defender: 75MW
for 3 days

 25MW preempted

Customer would rather have 10MW remaining

Defender: 10MW for 3 days

 90MW preempted

Exercise ROFR: Best Offer

'Roll the Dice': Used when trying to exercise ROFR, but also trying to maximize capacity remaining if you lose.

Defender: 100MW
Reservation for 3 days

Challenger: 25MW for 5 days

| | | | | | |
|------|-------|-------|-------|-------|-------|
| ATC: | 0 | 0 | 0 | 100 | 100 |
| | Day 1 | Day 2 | Day 3 | Day 4 | Day 5 |

Default Remaining Profile

Defender: 75MW
for 3 days



25MW preempted

Best Offer flag = Yes

Defender: 3 days for MW
between 25 and 100



Variable amount
preempted up to
75MW

Considerations:

- Submit a valid Matching Profile.
- Submit the default Remaining Profile provided by OASIS.
- Submit Best Offer flag = Yes.
- Excess ATC can be left over from Preemption depending on the actions of the Challenger and other Defenders.
- If ROFR is unsuccessful, offer will be max MW available.
 - Offer will be between Remaining Profile and initial Defender profile.
- But you must accept that offer.

Do not Exercise ROFR: Explicitly Decline

Defender: 100MW
Reservation for 3 days

'Fold': Used when not trying to exercise ROFR, while stopping participation immediately.

Challenger: 25MW for 5 days

ATC:

| | | | | |
|-------|-------|-------|-------|-------|
| 0 | 0 | 0 | 100 | 100 |
| Day 1 | Day 2 | Day 3 | Day 4 | Day 5 |

Matching Profile set to zero

Defender: 0MW for 5 days

Default Remaining Profile

Defender: 75MW
for 3 days

Considerations:

- No intention to match the Challenger duration.
- Cut bait and walk away immediately.
- Submit a Matching Profile = 0.
- Submit the default Remaining Profile provided by OASIS.
- Best Offer flag must = No.
- Capacity will be recalled from the Defender reservation down to the default Remaining Profile.
- The Defender is immediately released from the Preemption process.

Do not Exercise ROFR: Do nothing

Defender: 100MW
Reservation for 3 days

'Clueless or Helpless': Valid ROFR never submitted, intentionally or unintentionally.

Challenger: 25MW for 5 days

ATC:

| | | | | |
|-------|-------|-------|-------|-------|
| 0 | 0 | 0 | 100 | 100 |
| Day 1 | Day 2 | Day 3 | Day 4 | Day 5 |

No Matching Profile submitted

No Remaining Profile submitted

Considerations:

- Occurs if the 24 hour matching deadline passes and no valid ROFR Request was submitted on OASIS.
- There could have been numerous invalid ROFR attempts. Or there could have been zero ROFR attempts.
- Once the 24 hour period passes, the Defender reservation is preempted down to the default Remaining Profile indicated on OASIS.

Training and Reference

1. Separate training sessions will be planned closer to implementation.
2. Much of the CBPI material you have been seeing will be the basis for the training.
3. The training will most likely include screenshots or even demos of the basic scenarios.
4. We are also considering a “Preemption and ROFR” procedures document similar to “PTP TSR Procedures”.
5. We welcome feedback on the structure of that training (timing, duration, how many sessions, etc).

Background Reference

Terminology Recap

- Preemption and ROFR: The overall process that carries out Section 13.2 of the tariff in which a higher priority request may challenge lower priority requests and reservations for constrained capacity.
- Right of First Refusal (ROFR): The ability for PTP customers to defend their existing reservation by agreeing to match the terms of a challenging request.
- Defender: Request or reservation holding conditional capacity that is at risk from higher priority requests.
- Challenger: The higher priority request that can challenge.
- Preemption without ROFR: Scenario in which the Defender really has no defense. Their capacity can simply be taken by the Challenger. Most commonly involves an NT Challenger against any PTP Defender.
- Preemption with ROFR: Scenario in which the Defender may choose to exercise ROFR to keep their existing reservation. Only occurs between a PTP Challenger and a PTP Defender holding a reservation.
- PCM: The OATI software that carries out Preemption/ROFR.