

# Capacity Markets Study

**James T. Gallagher**

*Senior Manager, Strategic & Business Planning  
New York Independent System Operator*

**ICAP Working Group**

*March 13, 2012  
Rensselaer, NY*

# Background

- 2003 NYISO institutes demand curve in capacity market design**
- 2003 NYISO, PJM and ISO-NE jointly explore centralized forward capacity market**
- 2007 PJM and ISO-NE implement forward capacity markets**
- 2009 Brattle review of the costs and benefits of a forward capacity market for NYISO**
- 2012 NYISO capacity market study and identification of possible enhancements**

# Study Scope

- ◆ **Examine the elements listed below in order to recommend modifications that could be made to the NYISO's installed capacity market to enhance overall market efficiency and reliability, and lead to consumer savings**
- ◆ **Examine current NYISO installed capacity market design**
- ◆ **Review differences in capacity market auction timing, resource qualification, commitment periods and obligations among NY and neighbors**
- ◆ **Evaluate the design and performance of the forward capacity markets in PJM and ISO-NE, especially in attracting new resources**

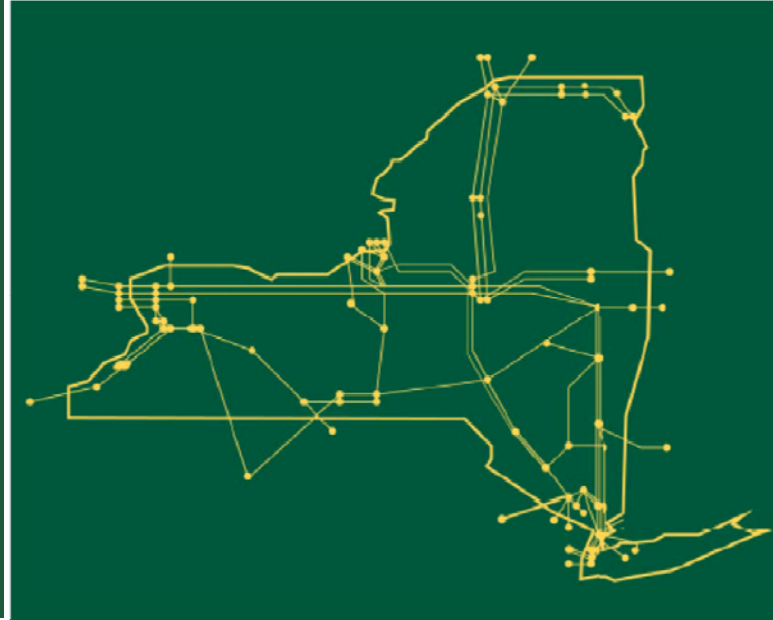
# Study Scope

- ◆ **Evaluate the desirability of incorporating a forward capacity market structure in NY with a 3-5 year reserve adequacy reliability criterion**
- ◆ **Assess the portability of capacity between control areas**
- ◆ **Identify key elements to synergistically integrate capacity market design with the overall market structure and with planning processes**
- ◆ **Evaluate additional opportunities to satisfy sub-zonal capacity needs**
- ◆ **Evaluate the use of DR in capacity markets and appropriateness of including energy efficiency**

# Timeline

- March** – **Develop scope**
- April** – **Issue RFP**
- May** – **Select consultant**
- July** – **Initial draft report**
- August** – **Final Report**

The New York Independent System Operator (NYISO) is a not-for-profit corporation responsible for operating the state's bulk electricity grid, administering New York's competitive wholesale electricity markets, conducting comprehensive long-term planning for the state's electric power system, and advancing the technological infrastructure of the electric system serving the Empire State.



[www.nyiso.com](http://www.nyiso.com)