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March 23, 2012

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To: Leigh Bullock
New York Independent System Operator

From: Tom Rudebusch
New York Association of Public Power

RE: NYAPP Comments on Draft Scope of Request for Proposals for Capacity Market Study

The New York Association of Public Power (NYAPP) has the following comments on the draft scope of RFPs for a Capacity Market Study:

The RFP should focus on an evaluation of the NYISO's current Capacity Market, and suggest improvements in specific areas. Instead, the draft scope reads, especially in the last paragraph of the Background section, like it is inviting a negative assessment of the current market and encouraging its replacement with a Forward Capacity Market (FCM) construct.

This conclusion is reinforced in Objective 4 on resource planning, where it is intimated that the NYISO Staff has concluded that the current market construct does not provide "adequate notice" for the NYISO's reliability planning obligations. The second sentence reads like the successful bidder will recommend a forward capacity market in New York with a 3 to 5 year reserve adequacy reliability criterion.

The RFP should review recent experiences with forward capacity markets in PJM and ISO-NE. However, Objective 2 on a review of FCMs in PJM and NE appears to be requesting what is in The Brattle Group's "A Comparison of PJM's RPM with Alternative Energy and Capacity Market Designs" (September 2009). Any review should not repeat what has already been done on a conceptual level, but consider the impacts of a FCM on stakeholders and consumers, including their very real complaints about the constructs in PJM and NE.

In particular, the RFP must review the advantages and disadvantages of “voluntary-bilateral” and “mandatory” approaches to capacity markets. This could be incorporated in Objective 5 on alternate market designs, which mentions the NYISO’s 2009 straw market design (which apparently included a “voluntary two-sided auction”). The RFP must explore the self-supply options available to Load Serving Entities and the impacts on those options of a forward capacity market.

NYAPP is not opposed to an impartial and fair-minded evaluation of the existing capacity market in New York.