

ICAP IMPORT RIGHTS PROPOSAL
HQ Energy Services (US)

ICAP WORKING GROUP
Desmond Hotel
Albany, NY

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BACKGROUND

- For the 2002-2003 Capability year, the ISO allows up to 2 755 MW of ICAP that can be procured from externals
- In order that this quantity be not overbought by the LSEs, the ISO uses «ICAP Import Rights» that it distributes on a first come, first serve basis (up to 2 755 Rights) to those who makes bilateral ICAP deals
- The requester of a right must first show to the ISO that it holds a bilateral contract of ICAP between an external supplier of ICAP and a participant in NY.

PRESENT ALLOCATION RULES

- Import Rights are only available starting 7 business days prior to the strip auction and 5 business days prior to any Monthly Auction
- All rights must be matched with a bid in NY prior to the Monthly Auction
- If not matched with an LSE prior to the monthly auction, the ICAP is sold at \$0 in that Auction
- When a request for rights is made, the requester must show a contract and the other party must confirm the existence of the contract.
- Response to a request by the ISO is made within up to 2 days.

PROBLEMS WITH PRESENT ALLOCATION RULES

- Period for requesting the rights is too short
- Deadline to match Import Rights and load (Monthly Auction) is too early
- The process by which the existence of a bilateral contract is proven to the ISO is too complex
- Response time by the ISO is too long

PROPOSED MODIFICATIONS

- Extension of the period for requesting the rights from 7 to 30 days prior to the strip auction
- Extension of the deadline to match the Import Rights with a load from the Monthly Auction to the Deficiency Auction
- Allow that only one of the parties to the bilateral agreement proves to the ISO the existence of an ICAP contract
- Allow a quicker response time by the ISO (within 24 hours)