

Management Committee - October 11, 2005
Meeting Motion - Agenda # 8

WHEREAS: The NYISO and its market participants have been discussing self supply of operating reserves since 2000. These discussions have, at various times, included discussions of possible designs for physical self supply options.

WHEREAS: The Management Committee is of the opinion that physical self supply is not a necessary option for the New York Market at this time. Designing a physical self supply option within the basic framework of the New York Market would be a complex and time consuming process. Although no option should be completely discarded as unwarranted, we believe that further exploration of physical self supply options at this time would be unproductive and unnecessary.

WHEREAS: The NYISO and its market participants are exploring the need to enhance or expand upon the two financial self supply options that are currently available under the NYISO's Market Administration and Control Area Services Tariff, Rate Schedule 4.

WHEREAS: The Management Committee concurs with the NYISO's current plan to continue to evaluate operating reserves price data and other market and system information for the purpose of making a recommendation to the market participants in 2006 on whether another financial self supply option(s) is necessary. Based on such recommendation and the results of the underlying analysis, the market participants will decide in 2006 whether they choose to proceed with the design of an enhanced self supply option.

WHEREAS: The Management Committee encourages the Commission to allow the New York market to continue its analysis of the need for another financial self supply option and allow it to end, for now, any further effort towards a design of a physical self supply option for operating reserves.

NOW, THEREFORE, IT IS MOVED THAT the Management Committee approves amendments to the current tariff to clarify that physical self supply is not available in the New York Market at this time and identifying the two financial options that are currently noted in the tariff as the only presently available self-supply options.

The Management Committee also requests that the NYISO continue to monitor the price differentials between east and west and further analyze the production costs savings as identified in the LECG Report presented to the 9/21/05 BIC and make a recommendation in 2006 on the need for a further financial hedge and/or locational reserve settlements.

The Management Committee also recommends that if a further financial hedge is determined by the NYISO and its stakeholders to be necessary, that the NYISO include in the development of that hedge an evaluation of the feasibility, costs and benefits of optimizing transmission capacity for eastern and western reserves. Any improvement in the reserve cost hedging mechanism that would contain a move to locational settlements would also have to address the potential need for transmission optimization at that time.