



Long Range Resource Adequacy (ICAP) Market

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Objectives

- Create a forward product that will send appropriate signals for new resources to build, assure a revenue stream for up to several years, allow inefficient resources to plan retirements, and/or facilitate forward contracting.
- Do not change the current near-term market structure - Keep existing 6-month Strip, Monthly and Spot Market w/Demand Curve
- Do not adversely impact demand response participation
- Address MP concerns with RAM proposal or mandatory partial future obligation while still creating a longer term market

Proposal Outline

- Longer-term (1-3 year) planning horizon
 - Phase-in period could be considered
- Incorporates existing products (strip, monthly, spot auctions)
- Voluntary for Market Participants (MPs)

Design Details

(This is just a proposal)

- Procurement will be in 6-month “strips” identical to current Capability Period Auctions
- Allow planned capacity to participate – Requirements to be determined along the lines envisioned by the RAM proposal
 - Firm schedule with mandatory milestones
 - Financial assurance that capacity will be there for buyer
- Nonperformance penalty charges as envisioned in RAM credit requirements
- QED

Questions Answered

- How do we know what an acceptable forward auction price is? Totally voluntary – market will clear at a mutually acceptable clearing price, or not at all.
- Could some portion of import rights be used in the forward auction? Imports would be subject to same qualifications and limitations as in current short term market
- There is no mandatory requirement until the Spot Market Auction is conducted

Questions Answered (cont'd)

- Distaste for ISO-procured forward market – Voluntary LSE direct purchase, therefore, should be acceptable
- Doesn't accomplish FERC long-term objective of 100% forward market ? Everyone's objective is 100% reliability, however, you cannot guarantee the future. Forward obligations can be predicted with some degree of accuracy. LSEs can control their own portfolio or accept the Spot Market price. LSE MUST know that it will be responsible for procuring capacity equal to its peak Load PLUS a Reserve Margin (currently 18%) as long as they are a NYISO MP

Timetable

- Q2 2004 – develop proposal within NY ICAP WG – include review of “on-hold” issues (uniform testing, common capability periods, etc.). Work in parallel w/ISO-NE and PJM staff.
- Q3 2004 – if ICAP WG achieves consensus, bring to RAM group for discussion.
- Coordinate with ISO-NE and PJM developments