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Market Rules Assessment
MSWG 12/14/06

The attached outline is presented as an aid in developing an order in which to address the variety of issues that have been and will be identified as within the scope of this assessment. The information presented represents NYISO Staff view of scheduling and priority considerations. It is intended that the issues described may be expanded and the order adjusted as a product of today's discussion.

The issue outline contains two different cuts at the same set of issues. The first is organized by market function. The second organizes them by the effects of certain priority considerations. Finally we have provided a current work status for issues and a recommended work order for remaining issues.

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Rules Issues by Effected Market Function

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1. External Transaction Scheduling
 - a. RT interchange efficiency
 - i. NYISO unilateral improvements
 1. RT market close lead time
 2. Impact of priced RT transactions
 - ii. Multi-market solutions (ITS/VRD)
 - b. Specific interface ramp and proxy bus issues
2. Generation
 - a. Rules for CC units and Wind are already under discussion
 - b. RT market close lead time
 - c. Over midnight scheduling issues
 - d. BPCG Issues
 - i. Daily, hourly or 5 min. settlement period
 - ii. Ramp constrained down unit treatment
 - iii. Price correction effect
 - e. Dragging
 - i. Price setting approach
 - ii. Penalties (cost allocation to responsible units)
 - f. Penalties/Incentives (general) - including testing issue
 - g. Dispatch performance/ramp capacity/load following needs

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- h. Pre-commitment of LRR units in DAM SCUC
 - i. Demand side market participation (Distributed Generation)
 - j. Ramp rate constrained unit treatment
 - k. RT fuel cost representation
 - l. 15 Min Scheduling eligibility rules
3. Ancillary Services
- a. Demand side market participation
 - b. Reserve issues
 - i. Reserve self supply (financial hedge)
 - ii. Locational settlements
 - iii. Transmission optimization
4. Settlement
- a. Netting of bilaterals

Rules Issues by Priority Considerations

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1. Regulatory Mandate

- a. Combined cycle mgmt – current project and should not be held up by this process.
- b. Reserve issues
 - i. Reserve self supply (financial hedge)
 - ii. Locational settlements
 - iii. Transmission optimization
- c. Demand side reserve supply
- d. Netting of bilaterals

2. Market Driven Mandates

- a. RT interchange efficiency
 - i. NYISO unilateral improvements
 - 1. RT market close lead time
 - 2. Impact of priced RT transactions
 - ii. Multi-market solutions (ITS/VRD)
- b. Specific interface ramp and proxy bus issues
- c. Wind rules

3. Low cost early options

- a. Penalty exemption for testing
- b. 15 min. scheduling eligibility

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4. Remaining issues by market impact

a. BPCG Issues

- i. Daily, hourly or 5 min. settlement period
- ii. Ramp constrained down unit treatment
- iii. Price correction effect

b. Generation Performance

- i. Dragging
 - 1. Price setting approach
 - 2. Penalties (cost allocation to responsible units)
- ii. Penalties/Incentives (general)
- iii. Dispatch performance/ramp capacity/load following needs

c. RT fuel cost representation

d. Over midnight scheduling issues

e. RT market close lead time

Other Considerations

Low Cost Issues –

1. Penalty exemption for generator testing
2. 15 min. scheduling eligibility

Threshold Issues – Issues whose resolution can significantly affect the approach to other rules issues. These issues should be addressed early.

1. Real-time priced transaction scheduling creates the RT market closing time limitations.
2. BPCG structure affects the need for or recommended changes for generator performance issues, price correction effect and other penalties and incentives issues.

Current Issue Status and Work Order Recommendation

Since the schedule of activity was discussed in June progress has been made on some issues, FERC has taken actions affecting others. The list has been adjusted to accommodate these effects but even so the order of work has been little changed and the general order remains largely intact. The recommended order of work now contains two new status categories that reflect 1) completed issues and 2) issues that are currently in progress - either straw man proposal preparation by ISO staff or under discussion with the MSWG. Work that has not yet begun is then presented in a recommended order of precedence.

Complete

- CC Modeling (FERC)
- Generator Testing Penalty Exemption

Work in progress

- 15 Minute Scheduling
- BPCG
 - Price correction effect
- Reserve self supply (FERC)
 - Financial hedge
 - Locational settlements (if needed)

- Transmission optimization (if needed)
- Demand side supply ancillary services (FERC)-
- Wind Rules – end state
- Netting Bilaterals (FERC)
- Specific interface ramp and proxy bus issues
 - HQ netting
 - PJM proxy pricing

Recommended order of remaining work

1. Generation Scheduling and performance

Real-time

- Dragging
 - Price setting approach
 - Penalties (cost allocation to responsible units)
- Penalties/Incentives (general)
- Dispatch performance/ramp capacity/load following needs

Day-ahead

- Pre-commitment of LRR units in DAM SCUC

2. RT interchange efficiency

- NYISO unilateral improvements
 - RT market close lead time

- Impact of priced RT transactions

3. BPCG Issues

- Daily, hourly or 5 min. settlement period
- Ramp constrained down unit treatment

4. In any order

- RT fuel cost representation
- Over midnight scheduling issues
- RT market close lead time

5. ITS