

ICAP Spot Market Bidding Requirements: Evaluation Update

Kimberly Sebben

Manager, Finance Products

New York Independent System Operator

Credit Policy Working Group

November 13, 2012

Rensselaer, NY

Background

- ◆ On May 30, the MC passed the recommended enhancements to the ICAP Spot Market bidding requirements, which were deployed on October 24, 2012.

- ◆ The NYISO agreed to further evaluate potential market design alternatives and discuss **them** with Market Participants throughout 2013.
 - *The commitment for 2013 is ICAP Spot Market Credit Enhancements - Market Design Concept Proposed*

- ◆ Current CMS Commitments:
 - *2013 – Energy Transactions, Enhanced MP Data Access and Additional Capacity Zones.*
 - *Other Potential Commitments – Long Term LI TCCs, Multi-Duration TCC Phase 2, Coordinated Transaction Scheduling (CTS) and Demand Response in RT Energy Markets.*

Background

- ◆ The NYISO requested potential alternatives from Market Participants by July 27.
 - *To date, the NYISO has received one proposal from the Transmission Owners presented at the October CPWG.*
 - *The NYISO has begun a preliminary analysis of the market design changes proposed by the Transmission Owners.*
 - *Main concerns expressed in Transmission Owners' presentation include:*
 - Existing rules do not appropriately set capacity requirements over the entire range of capacity market outcomes.
 - Existing rules do not account for capacity sales.

Preliminary Analysis

- ◆ Proposed credit approach is dissimilar from approaches used in other NYISO markets.
 - *Existing methods evaluate historic data to set formulas that are applied going forward, not calculated as needed.*
 - *Proposed approach would require estimating the entire distribution, not just the boundary for a 1%, 3% or 5% tail.*
 - *Existing methods calculate locational and/or time based requirements applied to all MPs, not position or portfolio specific requirements.*

Preliminary Analysis

- ◆ Proposal is a potential starting point but needs substantial additional analysis and discussion.
 - *Formulation and analysis of collateral equations.*
 - *Discussion of mechanics and decisions on how to forecast prices and variability.*
 - *Determination of how to handle the multiple locations including Additional Capacity Zones.*
 - *Interaction of ICAP market timelines and potential changes needed to ICAP timelines and processes.*
- ◆ Analysis to complete this proposal will require substantial external consulting services currently not included in 2013 budget.

Preliminary Analysis

- ◆ Based on its complexity as well as other commitments, the following is a potential proposed timeline which is subject to the yearly budgeting and prioritization process.
 - *2013 Commitment – Market Design Concept Proposed*
 - *2014/2015 – Analysis (including consulting budget) & Functional Requirements*
 - *2016 - Potential Deployment*

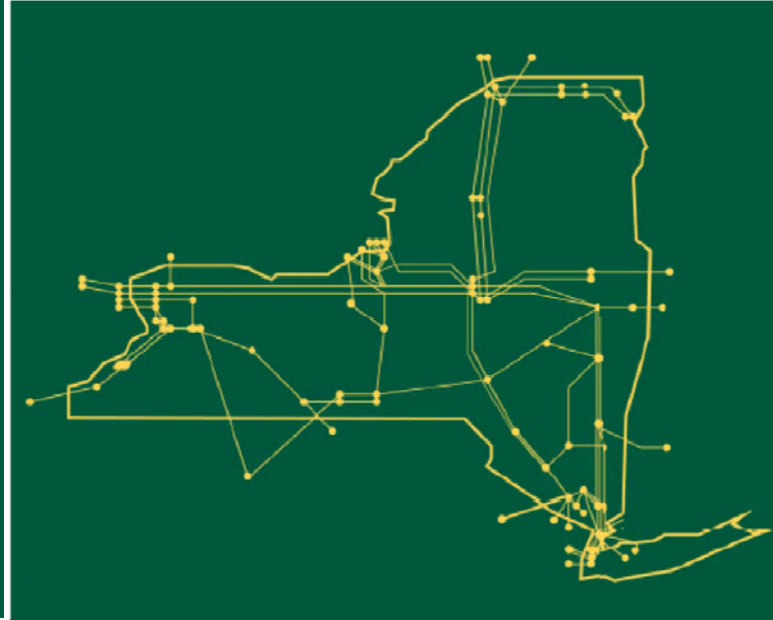
Next Steps

- ◆ Market Participants to determine if the NYISO should:
 1. *Continue to analyze this proposal.*
 2. *Seek other options with less complexity, but may require a shorter timeframe to implement.*
 3. *Pursue no changes at this time and review again at a future date.*

- ◆ Market Participants should provide input on direction by December 10, 2012.

- ◆ Follow up at future CPWG.

The New York Independent System Operator (NYISO) is a not-for-profit corporation responsible for operating the state's bulk electricity grid, administering New York's competitive wholesale electricity markets, conducting comprehensive long-term planning for the state's electric power system, and advancing the technological infrastructure of the electric system serving the Empire State.



www.nyiso.com