

Reopening the 10-Minute Non-Synchronous Portion of the NYISO's Reserve Markets

Presented by

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to the Management Committee

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FERC Comments and Requirements

- On 8 November 2000 FERC extended the bid cap on 10-NSR until the NYISO demonstrates that the market is competitive in all situations.
- FERC agreed with the NYISO in its 20 March 2002 Comprehensive Filing that the review process described therein was appropriate for reexamining the 10-NSR market.

NYISO Reserve Markets

➤ **Committee Process.**

- *The S&P Working Group has considered the proposal three times since February 2002.*

➤ **Recommendations.**

- *Market Advisor*
- *NYISO*

➤ **Market Developments and Enhancements.**

➤ **Future NYISO Actions.**

Recommendation

➤ Market Advisor

- *Mandatory offer requirement for ICAP units.*
- *Remove the \$2.52 bid cap.*
- *Reference levels are based on the lower of \$2.52 or accepted bids.*
- *Assess the competitive performance of the market after the cap has been lifted.*

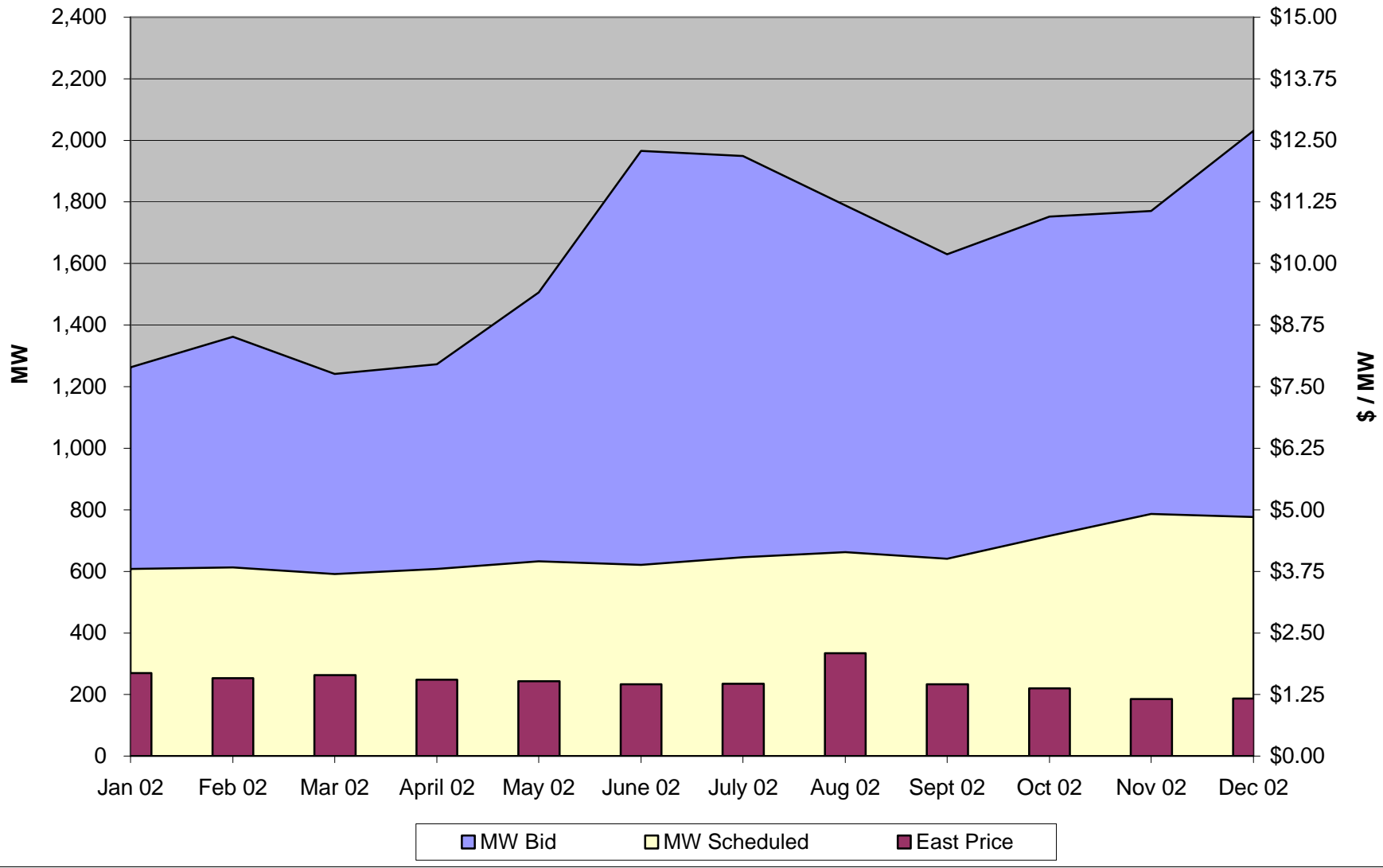
The NYISO Position

- The NYISO agrees with the recommendations of the Market Advisor.
- The NYISO Market Monitoring Process.
 - *Continual screening of 10-NSR in DAM and BME.*
 - *Units failing conduct and having impact are placed on a watch list.*
 - *If the unit's bids continue to fail conduct, they are reset to default levels either in the DAM or the BME.*
 - *Review behavior of both ICAP and non-ICAP units.*

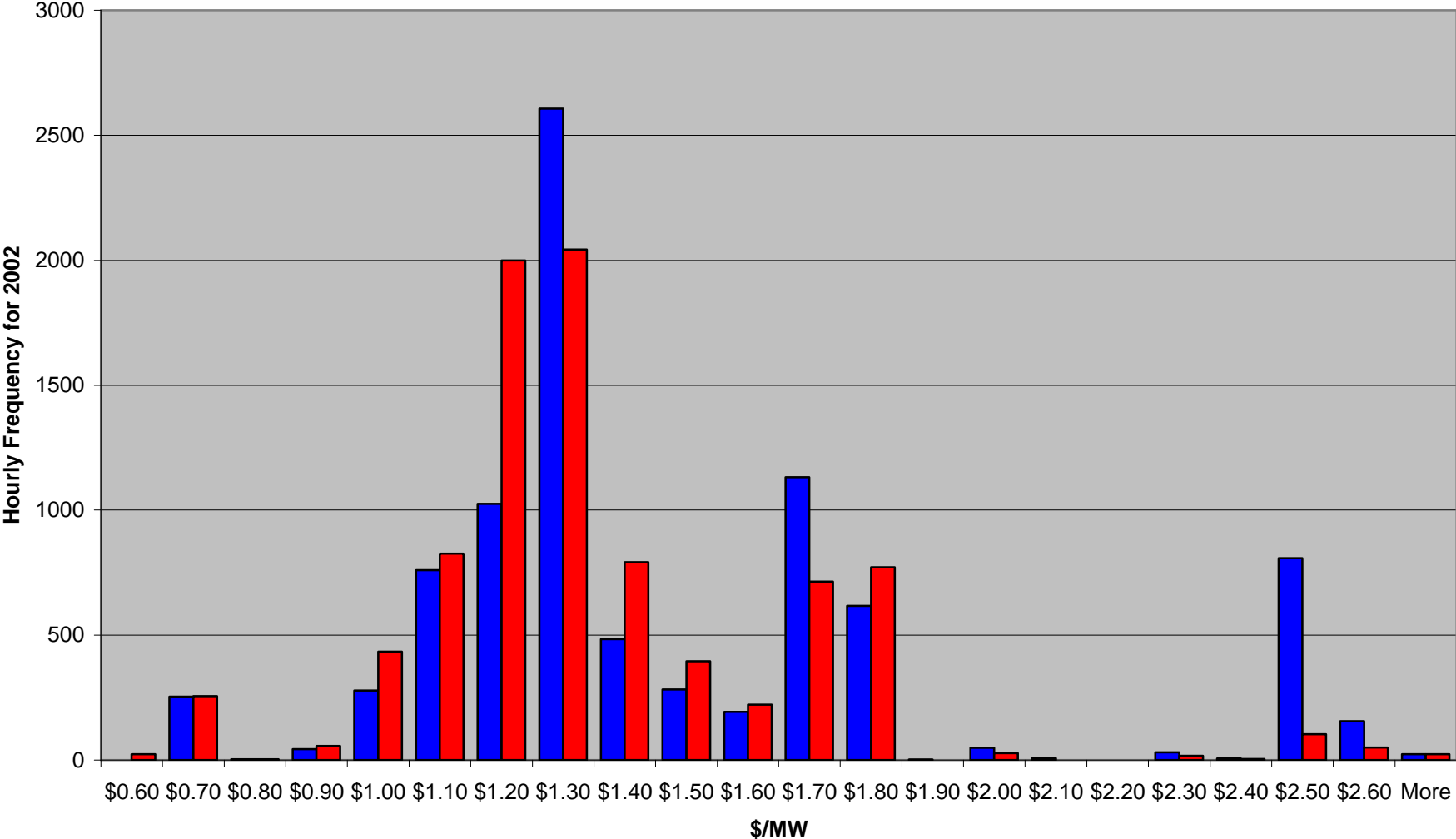
Completed Reserve Market Enhancements

- Technical Conference Convened.
- Lost Opportunity Cost Payments to 10-minute NSR Supplies – Incentive for increased reserve market participation.
- Full Gilboa Flexibility implemented – provided additional potential 10-MNSR supply.
- Update of Locational Requirements. – *reduction in locational reserve requirements.*
- Locational Clearing Price Payments to Suppliers.
- Regional Reserve Sharing (NYISO/ISO-NE) implemented on 15 June 2001 – reduced 10-Min. reserve requirements in the east.

NYISO 10 Minute Non-Sync Reserve Market Monthly Average MW Bid & Scheduled vs Price



2002 Ten Min Non-Sync



■ East ■ West

Future NYISO Actions

- MMP and IT to coordinate removing the cap in the MIS; minimal resources required.
- MMP to develop enhanced 10-NSR screens that will facilitate monitoring and quick actions.
 - *Monitor for quick run-up in 10-NSR prices immediately after the cap is removed and on an on-going basis.*
- MMP to review procedures for placing units on the watch-list.
- Legal determines the necessary changes to the tariff, including the Mitigation Measures.

Assessment of Market Performance

- After market reopens, the NYISO Market Monitoring and Performance Unit and the Market Advisor will evaluate and report on market conditions.
- If the Market Monitor and the Market Advisor conclude that market outcomes are not workably competitive, the NYISO will propose mitigation measures via a 205 filing.
- If necessary, the NYISO will make an “Exigent Circumstances” filing to impose a cap or other measures.