

MOTION OF THE INDEPENDENT POWER PRODUCERS OF  
NEW YORK, INC., IN SUPPORT OF THE APPEAL FROM  
LONG ISLAND LIGHTING COMPANY REGARDING THE  
BUSINESS ISSUES COMMITTEE'S FEBRUARY 11, 2003  
DECISION ON MOTION #3 REJECTING PROPOSED  
MODIFICATIONS TO THE 10-MINUTE-  
NONSYNCHRONOUS-RESERVES MARKET

The Independent Power Producers of New York, Inc. ("IPPNY"),<sup>1</sup> on behalf of its members that are also members of the New York Independent System Operator's ("NYISO") Business Issues Committee ("BIC")<sup>2</sup> hereby moves in support of the appeal filed by the Long Island Lighting Company d/b/a LIPA of the BIC's February 11, 2003 decision on Motion #3 rejecting the elimination of the currently existing bid cap on the 10-Minute-Nonsynchronous Reserves ("NSR") market and associated modifications to the market monitoring procedures. IPPNY respectfully requests that the Management Committee approve this proposal.

**THE RECOMMENDATIONS MADE BY THE MARKET  
ADVISOR AND BY NYISO STAFF SHOULD HAVE BEEN  
APPROVED.**

The BIC unreasonably rejected well-reasoned recommendations made by David B. Patton, Ph.D., Independent Market Advisor ("MA") for the NYISO as well as recommendations made by NYISO staff and rejected the proposed modifications to the 10-Minute NSR market. After identifying several significant market enhancements that have resulted in an increase in available resources in the 10-Minute NSR market, Dr. Patton recommended specific changes to replace the existing \$2.52 bid cap with a reference level system. Dr. Patton's recommendations also included requiring ICAP units to offer 10-Minute NSR and an assessment of the competitive performance of the market after the reference level system is implemented. The analysis

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<sup>1</sup> IPPNY is a not-for-profit trade association representing more than 100 companies involved in the development, operation, marketing, and sale of electric power in New York.

<sup>2</sup> These members are identified in Attachment A.

presented by the NYISO Staff clearly showed that the 10-Minute NSR market currently has approximately four times the supply capability needed to serve this market -- a figure that increases when available spinning reserve resources also all taken into consideration.

The NYISO staff – including Dr. James Savitt, of the NYISO’s Market Monitoring staff – reviewed and concurred with Dr. Patton’s recommendations. At the February 11 BIC meeting, Dr. Savitt proposed the adoption of a new market monitoring process for the 10-Minute NSR market, which included Dr. Patton’s recommended additional monitoring measures. The NYISO proposal would allow the Market Monitoring Unit (“MMU”) and the MA to evaluate and report on market conditions. Further, if the MMU and the MA were to conclude that because of the new process the 10-Minute NSR market is not workably competitive, the NYISO would propose mitigation measures under § 205 of the Federal Power Act and, if needed, under § 205 “exigent circumstances” authority.

Notwithstanding the reasoned analysis completed by the MA and the NYISO staff, the BIC rejected reopening the 10-Minute NSR market. In light of the significant market enhancements that have occurred since the bid cap was implemented, including, importantly, the availability of lost opportunity cost payments to parties selected to supply reserves (thereby eliminating their need to recover those costs via their 10-Minute NSR bids), and the aggressive market monitoring measures proposed by the MA and NYISO staff, the NYISO’s proposal should not have been rejected.

In light of the foregoing, IPPNY fully supports LIPA's appeal and respectfully requests the Management Committee approve these tariff changes.

Respectfully submitted,

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By:

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## **ATTACHMENT A**

- AES NY
- Calpine
- Edison Mission Marketing & Trading
- Mirant New York, Inc.
- NRG Power Marketing, Inc.
- PSEG Energy Resources & Trade
- Sithe Energy Marketing, L.P.