

HQUS PROPOSAL FOR IMPROVEMENT OF IMPORT RIGHTS ALLOCATION PROCESS

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Flaws with the Current Process

- Outdated technology (FAX)
- Necessity to send sometimes lengthy documentation of bilateral agreements
- Allocation process being conducted too close to capability period
- Process related to release of import rights may create hoarding opportunities – unknown reasons for high levels of releases ???

Import Rights Should Not Be Sold

- There is a trade off between the IRM and the quantity of import rights accepted from external suppliers
- External suppliers are already restricted to 2 755 MW which is less than the full capacity of the interfaces
- If more ICAP was accepted from externals, the ICAP requirement would increase for load
- External ICAP suppliers are already making an uncompensated contribution to reliability

Import Rights Not to be Sold (cont'd)

- Not in line with neighboring pools process (PJM requires reservation of ATC which is allocated free of charge for ICAP contracts)
- Selling Import Rights, by increasing costs to external suppliers, would give a competitive advantage to internal suppliers

Lessons from Transmission Reservation Allocation Process

- First Come First Served basis of allocation works well for transmission reservations elsewhere
- Why does it work well ?
 - Use of instantaneous technology where reservations are instantaneous
 - Reservations can be made on a continuous basis, hence avoiding bunching of reservations in a limited period of time

Proposed Solution

- Improve existing allocation process
- Keep allocation process on a first come first served basis
- In order to reduce releases, keep the allocation of Import Rights to holders of firm ICAP bilateral contracts and eliminate possibility of release.
- Use computer interface for reservation of Import Rights and confirmation of ICAP contract.
(Reservation is instantaneous with contract confirmation)

Proposed Solution (cont'd)

- Open filing window, 6 months, 1 year in advance and accept reservations after this date until fully subscribe or designated closing date
- Keep obligation to sell at \$0/MW in Spot Auction