NEW YORK INDEPENDENT SYSTEM OPERATOR

Disaggregated Virtual Trading:

Summary of Proposed Design Concept & Credit Requirements

Credit Policy Working Group
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Agenda

- Discussion of Business Plan commitments
- Summary of current DVT design proposal
- Proposed DVT credit requirements
  - Established for each DVT node at the 97th percentile
  - Time of year groupings will remain the same as Zonal groupings
  - Proposed changes to time of day groupings
  - Collateralize Zonal and DVT bid fees
- Next steps

Current DVT design proposal

- Allow virtual trading at all generator nodes in NYCA
  - Virtual Trading will continue to be offered at the zonal level
  - Single trading node for each group of units modeled at a single point
  - 1 MW minimum bid size and 11 bid price segments

- Sliding scale for DVT and Zonal bid fees based on SCUC performance as represented by bid volumes
  - As bid volumes increase or decrease relative to bid cap, fee adjusted up or down according to defined methodology (included in Tariff), with minimum fee of $0.03 and maximum fee of $1.00. (For cleared bids, fee less discount will range from $0.015 to $0.50).
- Complete presentation available under June 26, 2009 MIWG meeting materials

Disaggregated Virtual Trading Credit Requirements

- Ensure credit requirements appropriately match risk based on Disaggregated Virtual Trading market design
- Apply similar logic and methodology as current Zonal Virtual Trading credit requirements
- Establish credit requirements for all nodes eligible for Disaggregated Virtual Trading

Example - Virtual Supply 3 % price differentials Summer Weekdays

	Block 7-10
Zone J	61.96
Poletti	47.39
Gowanus GT 1-1	247.72
NYPA Pouch	216.98
Kent GT	66.54

	Block 15-18
Zone G	283.33
Lovett 5 23593	325.66
South Cairo GT 23612	214.94

Disaggregated Virtual Trading Credit Requirements

- Credit requirements will be calculated at the 97th percentile for each DVT node based on time-of-year and time-of-day groupings

- Time-of-year groupings the will remain the same as used for zonal virtual trading
  - Summer
  - Winter
  - Rest of Year

Current Time-of-day groupings

- Today, the time-of-day groupings applied to all zones are:
  - HB 7 -10
  - HB 11 – 14
  - HB 15 – 18
  - HB 19 – 22
  - Nights (HB 23 – 6)
  - Weekends/Holidays (HB 7 – 22)

Proposed DVT Time-of-day groupings

- Weekday Peak Hours (HB 7 – 22)
  - Nodes in Zones J - retain current 4 hour blocks
  - Nodes in Zones A through I & K – retain current 4 hour blocks
    - HB 7 – 10
    - HB 11 – 14
    - HB 15 – 18
    - HB 19 - 22

Example - Zone J Virtual Demand 3% Thresholds Summer Peak

	Hour 15	Hour 16	Hour 17	Hour 18	Block Hours 7-10	Block Hours 11-14	Block Hours 15-18	Block Hours 19-22
Zone J	89.82	84.14	72.96	57.12	52.19	61.02	80.73	48.77
Poletti	98.52	99.98	89.83	59.61	55.49	72.51	90.47	50.00
Linden Cogen	56.50	62.35	55.87	53.26	56.66	52.19	58.18	47.58
Gowanus GT 1-1	117.82	120.07	113.68	129.10	90.51	111.20	118.63	112.92

Proposed DVT Time-of-day groupings

- Nights (HB 23 – 6)
  - Nodes in Zones J - change to 2 hour blocks
    - HB 23 - 0
    - HB 1 - 2
    - HB 3 - 4
    - HB 5 - 6
  - Nodes in Zones A through I & K – retain current 8 hour block
    - HB 23 - 6

Example - Zone J Virtual Supply 3% Price Differentials summer nights

	Hour 23	Hour 0	Hour 6	Night Block
Zone J	63.73	55.72	61.4	55.71
Poletti	38.19	40.2	53.86	51.82
Gowanus GT1-1	335.14	236.61	92.96	166.1
NYPA Pouch	288.39	235.13	91.44	180.89

Proposed Time-of-day groupings

- Weekends/Holidays (HB 7 – 22)
  - Nodes in Zones J - change to 4 hour blocks
  - Nodes in Zones A through I & K – change to 4 hour blocks
    - HB 7 – 10
    - HB 11 – 14
    - HB 15 – 18
    - HB 19 - 22

Example - Zone J Virtual Supply 3% Price Differentials summer weekend days

	Hour 7	Hour 10	Hour 14	Hour 15	Hour 17	Hour 20	16-Hour Block
Zone J	62.14	53.35	118.41	94.42	106.79	103.06	76.27
Poletti	61.14	46.42	65.44	65.86	106.82	97.44	61.95
Gowanus GT1-1	113.21	228.85	374.57	302.27	305.07	328.27	272.73
NYPA Pouch	81.44	228.76	347.84	247.55	257.13	257.8	237.75
Kent GT	61.16	51.18	183.11	117.93	107.19	123.58	78.68

DVT credit requirements timing

- Credit will be held throughout the life cycle of the bid in the same manner that it is held for virtual trading today.
  - Credit will be checked upon bid submission
  - DVT credit will be held until Day Ahead Market Validation is complete.
    - Credit will be held on accepted bids
    - Credit on rejected DVT bids will be released
- After the billing data is available, credit will be held for payments due the NYISO for virtual trading activity

Disaggregated Virtual Trading Credit Requirements

- Considering credit coverage for Zonal and DVT bid fees

- Disaggregated Virtual Trading credit requirements will be updated and posted for Market Participants each month on the same schedule as zonal virtual trading credit requirements
  - csv and pdf files will be available

Next Steps

- Based on Market Participants' comments at the last CPWG, we are seeking your feedback on reprioritizing the Q2 commitment until such time the DVT market design and Credit requirements could be brought to a joint CPWG/MIWG later this year
- The results of the Mixed Integer Programming (MIP) study and the DVT feasibility assessment will not be finalized and available to the NYISO until late in Q2; pending the results and analysis of the study, NYISO may need to modify the DVT market design concept
- Finalize Disaggregated Virtual Trading credit requirement methodology

NEW YORK INDEPENDENT SYSTEM OPERATOR

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