

DRAFT – For Discussion Purposes Only

## **ADDITIONAL OPTIONS TO ADDRESS NYC CAPACITY MARKET**

Con Edison suggests consideration of the following options by the ICAP Working Group to address NYC Capacity market, in addition to the options raised by the New York State Department of Public Service:

Option 5 – Require DGOs to submit a zero dollar bid and be price takers in the in-City capacity spot market in order to eliminate any potential market power. DGOs would get paid the market clearing price for capacity using the demand curve. This may or may not be combined with PSC Option 2 to modify the slope of the demand curve.

Option 6 – Implement a conduct and impact market power test to determine if there is any potential market power that results from unsold DGO capacity (measured by reviewing revenues for all capacity owned by the DGO that is sold in the demand curve auction versus the revenues it would have received had the DGO bid in a way that all of its capacity is sold). If market power is detected the DGO bids are mitigated to zero. (NOTE: This process may be iterative since once the first DGO's bids are mitigated, another DGO may be found to have exercised market power by applying the same conduct and impact test.)

Option 7 – Implement the same iterative conduct and impact test as in Option 6 (above) and establish a market clearing price for all other NYC capacity. The mitigated DGOs are paid at their original unmitigated bid for all capacity required to meet minimum locational requirements and at the clearing price for the remaining of the capacity sold through the demand curve auction.

Option 8 – Modify the current price cap to reflect market power concerns. The adjustment could vary year to year depending on the amount of excess capacity in the marketplace, for example lowering the cap when there is excess in the market in order to reduce the price impact of the DGO market power and restoring it to the current cap when excess is reduced.