

Mark Younger issue for Monday's discussion

In Section 5.11 of the ICAP manual it states that a locality should only have a different price if the locality constraint is binding. In the ICAP deficiency auction we got a lower clearing price for NYC because the auction was run in two phases and there was not an assurance that the locality constraint was honored across the phases. The in-City auction cleared in the first phase at 8.75 even though the locality constraint was not binding purely because the in-city was run separately.

We need an auction design that honors the locality constraint is honored. If we do not develop this then we will blunt the incentive to develop new capacity in the city. Unmitigated in-City ICAP sources have no requirement to provide their capacity to the in-City loads. An unmitigated in-city (and Long Island) capacity resource should be assured that the NYISO auction design will allow them to bid into the auction and get the highest clearing price for any locality for which they qualify. If we do not correct the current auction design then they will have to game their bids to make sure they are not cheated out of the highest clearing price. This is inefficient and will blunt the incentive to locate new capacity resources in the City and on Long Island.