



Reliability Resource Compensation

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Agenda

- ◆ Review History
- ◆ Review Comments
- ◆ Review IPPNY Proposal
- ◆ NYISO Response
- ◆ Next Steps

Previously

- ◆ NYISO presented a concept for consideration at the 02/10/2011 MIWG and solicited feedback by 03/15/2011
- ◆ This proposal focused on a new process prior to the Attachment Y retirement process:
 - *Qualifications*
 - Needed for reliability
 - Financial certification by resources
 - Agree to compliance obligations
 - *Compensation*
 - Going forward costs
 - *Transparency*

History continued

- ◆ Written comments on the proposal were submitted from three entities
 - *Multiple Intervenors (MI)*
 - *NY Department of Public Service*
 - *New York Transmission Owners, LIPA, and NYPA (NYTOs)*
- ◆ An alternative proposal was submitted from IPPNY

MI Comments

1. No demonstration that bridge payments are needed.
2. Could create a strain on NYISO and TO resources for unnecessary studies.
3. The NYISO's purpose is not to protect existing generation facilities or support the continued operation of uneconomic facilities.
4. The NYISO should be transparent and avoid payments on confidential notices.
5. The NYISO should not play the role of a financial auditor of a generation facility.
6. This process could lead to the NYISO favoring existing generation facilities over alternatives.
7. The NYISO should terminate consideration of this proposal.

NY PSC Comments

1. The NYISO has failed to provide a basis that the need exists for its proposal.
2. The NYISO has not presented any information or evidence to indicate the generator's claims are valid.
3. The NYISO dispensed with the need to review the process that evaluates permanent solutions to reliability problems.
4. Proposal would undermine the existing CRPP and NYPSC generator retirement notification procedures, which have worked well.
5. This could create a conflict with the NYPSC's regulatory responsibilities.
6. Could inappropriately discriminate against other solutions and unnecessarily increase costs for consumers.
7. NYISO bypassed ESPWG, which developed the existing CRPP. This discussion should be presented to the ESPWG for review and consideration.
8. Compensation should not be awarded until after the generator has filed a notice of retirement with the NYPSC and the appropriate notice period has expired.
9. The NYISO should not be placed in the position of examining complex financial arrangements.

NYTO Comments

1. The NYISO failed to define the problem it is attempting to address and has no reference to the CRPP.
2. The NYISO's proposal is beyond the scope of what the NYISO Board and FERC indicated, which was a review of the adequacy of the existing Att. Y Gap Solution process.
3. Any proposal must be considered in context of the CRPP.
4. Proposal must consider all potential solutions to address an identified reliability need.
5. No party has yet to explain why the current reliability planning process is not adequate.
6. The proposal for confidential retirement is both infeasible and inconsistent with the CRPP.
7. Out-of-market payments to generators must be accompanied by proposals to ensure that generator does not gain revenues in the competitive market in addition.
8. It should not be assumed that the retirement of a generator will create a reliability problem that could not otherwise be addressed by the appropriate TO.
9. Any further consideration of this proposal should be at joint ESPWG/MIWG meetings.

IPPNY Proposal

- ◆ A resource can request a confidential reliability study from the NYISO (and TO as necessary).
 - *NYISO should conduct the study in 30 or 60 days*
- ◆ Regardless of study findings a resource may stay in the market if it so chooses.
- ◆ If the generator decides to retire:
 - *If it's needed for reliability, the resource may seek a RMR type contract from FERC as soon as the resource submits its retirement notice to the PSC. This needs to be explicitly stated in the tariff to avoid procedural arguments.*
 - *Att. Y would proceed as currently defined. The FERC contract would be in place until the Gap solution or Reliability Backstop solution is put in place.*
 - *If the resource is not needed for reliability (as determined above), it should be allowed to retire immediately.*
- ◆ The unit should be removed from the Capacity market as soon as it files to retire
- ◆ The unit must bid in economically into the Energy markets

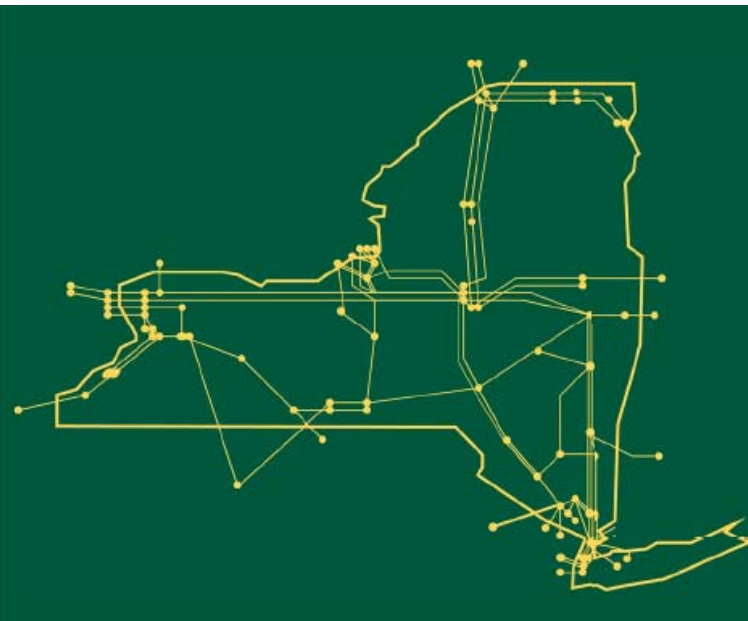
NYISO Response

- ◆ The NYISO is still reviewing the responses to its previous proposal and determining how best to incorporate the feedback it received into a proposal. However:
 - *Any future proposals will be fully incorporated into and consistent with the NYISO planning process.*
 - *NYISO will include ESPWG on any future proposals dealing with the planning process.*
 - *NYISO's focus continues to be ensuring that resources that are needed for reliability are fairly compensated.*
 - The NYISO has not identified a specific deficiency in the current process that requires a remedy.
 - Future proposals need to satisfy this threshold first.

Next Steps

- ◆ Evaluate and incorporate feedback from today's MIWG
- ◆ Evaluate the necessity for a revised or additional proposal
- ◆ If necessary, return for future discussion to a joint ESPWG/MIWG.

The New York Independent System Operator (NYISO) is a not-for-profit corporation that began operations in 1999. The NYISO operates New York's bulk electricity grid, administers the state's wholesale electricity markets, and conducts comprehensive planning for the state's bulk electricity system.



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