

# Benefits of ICAP

## Reliability

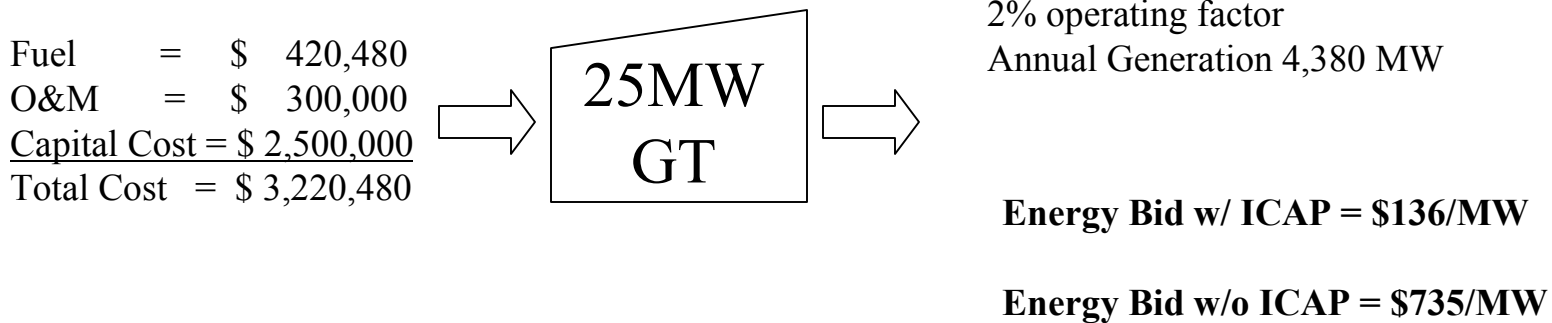
- Ensures locational reliability in transmission constraint areas
  - Provides direct revenues to generating units that are required to serve peak loads.
  - Allows for Planning of capacity reserves and locational requirements.
- Sends advanced price signals to developers of needs for new generation.
- Provides advanced notification of deficiency and allows ISO to conduct a deficiency auction to seek additional capacity.
- Provides real time reliability because of unit requirement to bid in the DAM and recallable right for ICAP generation to serve in-city loads when required.

## Economics

- Areas with a marginal surplus of capacity to serve load will benefit with ICAP to lower volatility in the Energy Markets.
  - Areas where siting new generation is a lengthy and difficult process require ICAP.
  - Areas with high Customer peak loads compared to base load require ICAP.
- Elimination of ICAP will result in higher total cost.

# Cost of ICAP to Customers

Typical in-city Gas Turbine example setting LBMP with & without ICAP



## No savings for customers:

Given an in-city load of 8,000 MW that occurs 175 hrs (2%) of the year, the higher energy cost w/o ICAP will set the LBMP and in total equal the ICAP cost savings for the case with ICAP.

## Potential increase in energy cost:

Given the uncertainty of how many hours of operation the GT will be called on to operate, the GT's may submit a higher bid to try to accelerate their cost recovery. This will increase the total energy cost to consumers unless the GT's bid below their cost once they recover all of their expenses. These higher bids would be valid bids for generators and will cause a much more volatile market.

Note: The data used is representative of typical GT costs and NYC fuel cost.

# Summary and Conclusion

- Uncertainty in annual hours of GT operation may lead to higher energy bids from owners w/o ICAP.
- Higher GT bids will result in higher total cost to consumers w/o ICAP.
- Insufficient recovery of GT costs may result in shut downs and a deficient in-city capacity w/o ICAP.
- Elimination of the ICAP will result in a loss of control of reliability requirements.
- These would all be undesirable results for the NY electric market.