

Guarantee Payments to Long Island Units:

Tariff Revision

Business Issues Committee Meeting

Agenda #8

Background

➤ Current Tariff Language

- *Purpose: mitigation of market power*
- *Would allocate BPCG costs to Long Island:*
 - ▶ When LI reserve constraints caused units to be committed.
 - ▶ When the commitment caused the MMM impact threshold to be exceeded.

➤ 12/9/02 Compliance Report

- *LECG analysis shows BPCG payments to LI units have not crossed MMM conduct and impact thresholds*
- *Conclusion: no BPCG cost allocation based on market power is warranted*

Tariff Changes

- Delete sentence in Services Tariff Sch. 4, p. 298 and 303A:
On any day that Long Island reserve constraints are binding, the NYISO shall allocate to Long Island customers the net incremental bid production cost guarantee charges for Long Island units that have been committed for either Energy or Operating Reserves, if it is determined that a Long Island Reserve constraint caused those units to be committed, and the commitment of those units resulted in an increase in bid production cost guarantee payments by an amount equal to or greater than the threshold for market power mitigation of guarantee payments specified in Section 3.2.1(2) of Attachment H to this Services Tariff.

Mitigation Measures

- **Conduct test, §3.1.2(a) & (b):**
 - *Mingen: increase of lower of 300% or \$100 (bids above \$25); or lower thresholds per In-City formula*
 - *Start-up: 200% increase*
- **Impact test, §3.2.1:**
 - *200% increase in guarantee payments, or the amount of the conduct threshold per In-City formula*