

Proposed Revisions to Demand  
Curve Market Rules when  
Minimum Requirements  
have not been Met

Presented to the  
Management Committee  
by  
Consolidated Edison Co. of New York  
April 14, 2003

# Background - Capacity Rule Changes Caused by the Demand Curve

1. All participants are required to accept Demand Curve auction results.
  - When Capacity markets are long, all loads purchase excess quantities and accept the price cleared from the Demand Curve.
  - Suppliers that financially and physically withhold from the Demand Curve auction can sell capacity, subject to market monitoring review.
2. Proponents of the Demand Curve stated it was designed to attract new entry
  - Cost study administered by the NYISO is designed to determine the localized levelized embedded cost of a gas turbine and associated Energy and Ancillary services revenues, which is then used to set the price level of the demand curve.
  - Study conducted to reset prices every three years.

# Background - Current DC Tariff Rules Filed at FERC

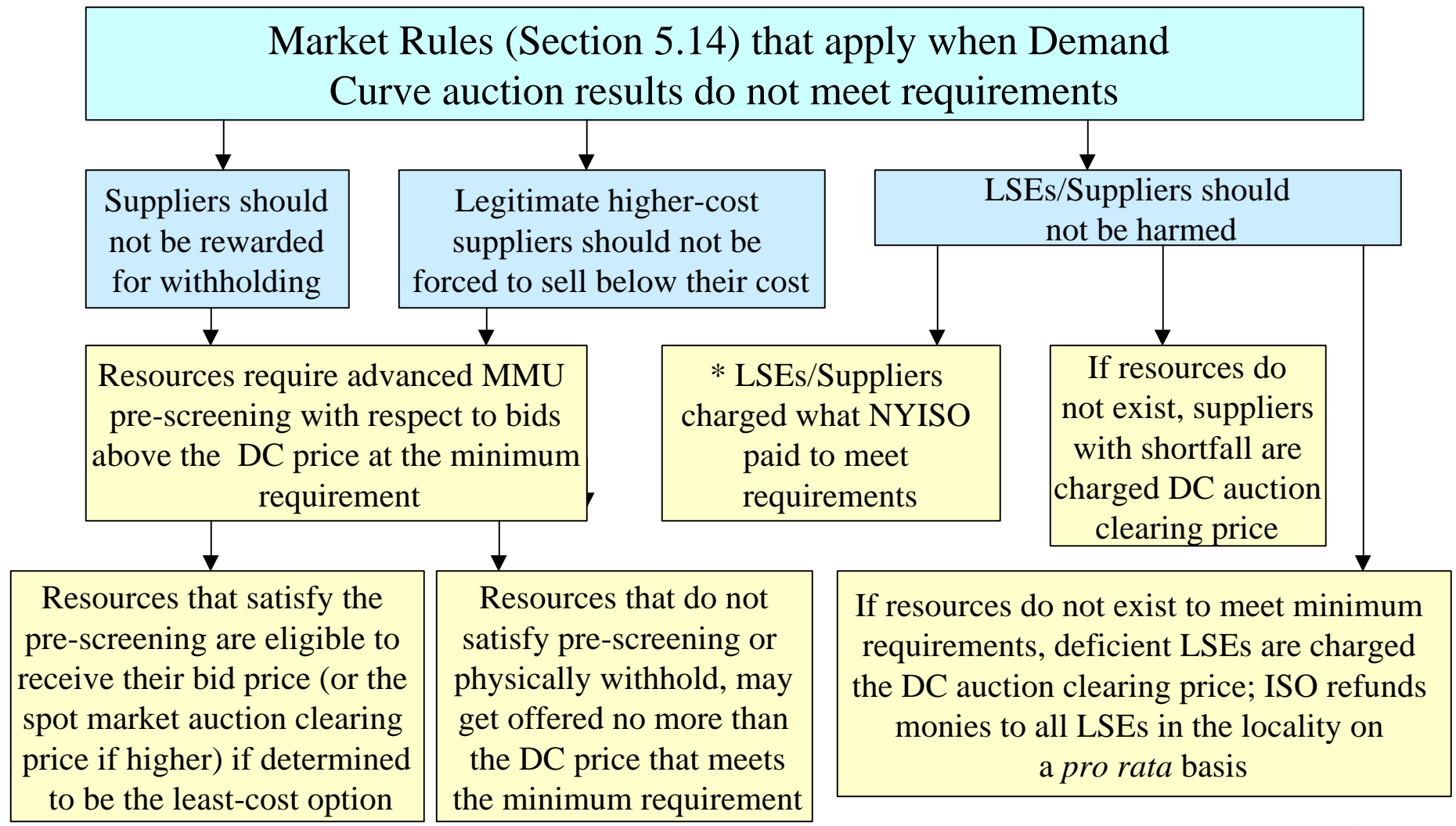
When DC auction does not clear the minimum requirement.

1. All deficient LSEs are automatically charged a supplemental supply fee (1.5 times new GT) for all capacity below the requirement.
2. ISO will use supplemental charge to purchase capacity to meet minimum requirements from all existing qualified suppliers, including those that withheld, and pay up to the supplemental supply fee.
3. When the ISO pays less than the supplemental supply fee, it will refund all remaining monies to all NYCA LSE's through Schedule One.
4. Symmetrical treatment for suppliers with shortfalls

# Concerns of Current DC Tariff Rules Filed at FERC

1. Insufficient time for MMU to evaluate and respond to Suppliers that financially withheld capacity from the DC auction, when auction clears below the minimum. These Suppliers could be rewarded with higher than DC prices when market clears below minimum requirements
2. Supplier concerns are mirrored by the NYISO Independent Market Advisor, Dr. David B. Patton in the Supplemental Supply Fee section (42 – 45) of his Affidavit to the Tariff Provision.
3. Loads, which do not bid into the DC auction, should not be harmed by the effects of supplier withholding.
4. Refunds from over-collections in one location should be returned to LSEs in that location.

# Proposed Revisions to Filed DC Tariff



\* LSEs charged to meet minimum requirements; Suppliers charged to cure their shortfalls.

# Proposed Motion for MC

Whereas, a Management Committee Member's vote in favor of this motion does not indicate that the member supports the Demand Curve, and each member reserves the right to protest the Demand Curve and to pursue all legal rights to oppose it and similarly if a member votes against this motion the member is not necessarily against the Demand Curve; now therefore;

Moved that the Management Committee ("MC") hereby approve revisions to the appropriate sections of the NYISO tariff necessary to conform it to the presentation made at the April 14, 2003 MC meeting. These revisions clarify the applicable rules under the Demand Curve that will be applied to any deficient LSE when the results of the Spot Market Auction do not meet the NYCA Minimum Installed Capacity Requirements or its Locational Minimum Installed Requirements, and to any Installed Capacity Supplier with a shortfall. Prior to filing, tariff language to be reviewed by the Installed Capacity WG and reviewed and approved by the Chairs and Vice Chairs of the Management Committee and Business Issues Committee.