Summary of Comments on Demand Curve Adjustment Process

(Comments received at the ICAP WG Meeting on July 25, 2005 and separate written comments received as of August 8, 2005)

Procedural Comments

1) Bring Independent Market Advisor (David Patton) into process sooner
2) Provide more complete report to the NYISO Board. Describe more fully:
   a) Issues raised
   b) Views of all parties
   c) NYISO recommendations with support/backup for recommendations. Board may not want to accept Staff's recommendations
3) Start process earlier, add more time to process
   a) Insufficient time to dispute conclusions of Consultant
   b) Provide earlier and regular access to Consultant
   c) Allow more time for MP feedback
   d) Aim for 10/1/07 filing at FERC
4) Consultant cited commercial intelligence when making certain conclusions; no way to dispute these conclusions. Try to better document sources of information.
5) Clearly identify:
   a) Stand alone issues and inter-related issues. Many recommendations are not stand alone but are inter-related to others. Run sensitivity analyses on assumptions that have inter-related affects on overall result
   b) Clearly identify assumptions and sensitivities
   c) Clearly identify all facets and components to be studied and determined
6) Identify links and stay consistent with IRM study
7) Provide physical presence of Consultant at meeting when conclusions are discussed
8) Attempt to introduce all issues up front. Lay out entire process in advance.
   a) Do not allow introduction of issues at the eleventh hour that affect result
   b) Establish a cut-off time for introducing data
9) Attempt to obtain early agreement on assumptions
   a) Disagreements could lead to sensitivity analyses
10) Review Tariff and ICAP Manual language to ensure that the language does not restrict the process to be developed
11) An RFP to obtain a consultant for development of the Demand Curve parameters can not be open-ended

Substantive Issues

12) Disappointment with software tool used to conduct analyses
   a) Get agreement upfront
   b) Use explicit model of transmission network
   c) "Transportation model" not acceptable
13) Consider dual fuel capability, fuel mix, and environmental regulations
   a) At what point in the future should these considerations be included

b) Develop costs for these considerations
c) Include costs in the analyses

14) Consider longer period like 5 years instead of 3.
15) Provide an evaluation of alternative Demand Curves, slopes, segmentation, etc. Re-study and document the rationale for Demand Curve slopes, including shapes, possible inflection points and "zero crossing points."
16) What general technology provides the basis for the cost of a GT (simple cycle?)
17) Tie back energy and ancillary service offsets; compare to expectations of forward market prices
18) Use actual values rather than estimates whenever possible.
19) Develop a more systematic approach to conservatism; assess the conservativeness of the result
20) Remove lost opportunity cost from ancillary services offset; NYISO should calculate these lost opportunity costs
21) Clearly identify equilibrium conditions and justify, document, or describe any margins used ("conservatisms")
22) Convene splinter group to identify and propose key elements and concepts to be reflected in energy offsets, such as:
    a) Historical data vs. modeling
    b) Stochastic vs deterministic studies
    c) Ancillary revenue philosophy
    d) Treatments for scarcity, or price spikes
    e) RFP to clearly define treatments of these concepts
23) Change tariff to allow choice of Combined Cycle units, if appropriate, and if possible.
24) Analyze relative economics of simple cycle, combined cycle (and other?) technologies
25) Similarly, analyze relative economics of various locations throughout the state
26) Consider best practices from other regions
27) More details and explicit documentation of fixed capital and fixed and variable operating costs
28) Any study performed must accurately mimic operation of the NY power system under SMD2, including random surprises such as intraday generator and transmission interruptions, reserve pick-ups etc. (Use actual operating data with appropriate adjustments?)
29) If we continue to use a separate "scarcity" component in the net revenue offset, provide better documentation of how the number is derived.
30) Clearly define the financing conditions for the net cost of entry. Those conditions should be the conditions that the NYISO expects to observe in the long-run equilibrium when the amount of capacity provided is at or near the minimum ICAP requirement as opposed to a survey of financial institutions intended to collect information regarding current financing requirements.
31) Winter-Summer issues – if used. Base upon actual observed ratios from past years, as well as on all factors that might cause future ratios to differ from past ratios, considering internal and external resources including SCRs, and at equilibrium conditions. Consider using Summer DMNC year-round.

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