

Resource Adequacy Cost Allocation

Consideration of Bilateral
Contracts

ESPWG-7/14/05

Resource Adequacy Need Cost Allocation

- Current proposal is all LSE's within a locality pay for the cost of a regulated backstop solution
 - Premise is all benefit from reliability fix
- Some MP's have indicated disagreement with that position
 - Believe costs should not be allocated to LSE's with long term commitments for capacity within a locality entered into to meet the minimum ICAP locational reliability requirement.
- Potential problem with such a cost allocation approach
 - Can undermine the desire to have market based solutions solve identified reliability need
 - What incentive is there for an LSE to facilitate new entry thru a bilateral agreement when doing nothing results in all load picking up a pro-rata share of the cost through cost allocation of the regulated backstop?.

Conceptual framework for Consideration of long term bilateral contracts

For resource adequacy need cost allocation

- LSE's within a locality are exempt from cost allocation for a reliability backstop project if:
 - They retain a level of ICAP under bilateral contracts at or above the minimum requirement in effect at the time the NYISO triggers the backstop solution
 - They can continue the exemption by entering into bilateral contracts with new(not existing) resource additions
- Exemption is lost when:
 - LSE load increases to a point where the ICAP under bilateral contracts falls below the minimum requirement in effect at the time the NYISO triggered the backstop solution
 - LSE then pays its full pro-rata share going forward