

Draft 2005 Market Evolution Strategy

2007-2011

Project Prioritization Team
June 1, 2005

Objectives of the Market Evolution Strategy

- **Provide a rationale for future enhancements to the NYISO Markets.**
- **Provide guidance for NYISO committee and working group activities.**
- **Provide a common framework for multi-year budget, project & product planning.**
- **Support NYISO Strategic Planning and annual Business Planning processes.**

Market Design Criteria

- **Maintain and enhance the quality of the short and long-term price signals.**
- **Minimize barriers to market entry.**
- **Move unhedged costs into market prices.**
- **Maintain & support level playing field for all market participants.**
- **Expand and enhance robust regional markets.**
- **Simplify and reduce complexity where possible.**
- **Leverage new technology advancements.**

System & Market Landscapes 2007-2011

- **Modest growth in electricity demand (1.2%)**
- **Generation additions and retirements**
 - *2038 MW conventional generation under construction*
 - *6763 MW approved under expired Article 10*
 - *1946 MW of generation retirements announced*
 - *NY Renewable Portfolio Standard (RPS) additions*
- **New environmental rules**
 - *Federal Clean Air Interstate Rule (CAIR)*
 - *NYS Mercury Rule*
 - *Modifications to NY NO_x & SO₂ trading programs*
 - *Regional Greenhouse Gas Initiative (RGGI)*
- **NY PSC expansion of retail energy markets**

Support NYISO Strategic Plan

➤ **Improve market efficiency and effectiveness.**

- *Scheduling and Dispatch enhancements*
- *Encourage load following service*
- *Reduce uplift costs*
- *Expand TCC product portfolio*
- *Accommodate intermittent generation*
- *Encourage transmission expansion and increased demand participation*
- *Enhance long-term capacity market signals*
- *Enhance Demand Response*

Support NYISO Strategic Plan

➤ **NYISO is a hub for the larger Northeast Regional Market.**

- *Intra-hour Transaction Scheduling (ITS)*
- *Cross-Border Congestion Hedges*
- *Expand & enhance proxy bus trading rules*
- *Inter-Market Congestion Management*
- *Expand ancillary service trading*
- *Simplify import/deliverability rights mechanisms between neighboring markets*

Next Steps

- **Solicit stakeholder input via sector meetings and individual working groups.**
- **Integrate Market Strategy concepts into business plan, product plan, and budget development processes.**
- **Develop periodic review/update process with Board and Stakeholders.**