

Update on ICAP In-City Mitigation

Installed Capacity Working Group
January 18, 2007

Recent FERC Activity

- ◆ Subsequent to NYISO Board approval on 12/18/2006, NYISO submitted tariff revisions to FERC on 12/22/2006
- ◆ Requested effective date of 3/7/2007 for tariff changes
- ◆ On 1/5/2007, FERC issued notice to extend the time for filing comments to 1/24/2007

In-City Mitigation Rules

Noted in Filing

- ◆ Mitigation applies to both sales and resales of the specified capacity
- ◆ Reference level set at \$82/kW-yr ICAP, \$88.21/kW-yr based on UCAP
 - *Shaping of summer/winter caps to follow existing shaping method using most recent DMNC data (Summer 2006 and Winter 2005/2006)*

In-City Mitigation Rules

Noted in Filing (cont'd)

- ◆ Conduct test:
 - *Any DGO capacity offer ≥ 1.03 * reference price*
- ◆ Impact test:
 - *All offers of DGO capacity failing conduct test will have the offers replaced by the reference price and the spot market auction will be rerun*
 - *Taken as a group, offers failing conduct test would fail the impact test if they would have increased the total market cost by $\geq 3\%$*

Implementing In-City Mitigation Rules

- ◆ Conduct and impact tests will be applied in ICAP Automated Market System (AMS) spot market auction
- ◆ Will require two runs of AMS spot market auction to check for conduct and impact, respectively – initially, these checks will be done through a manual process
- ◆ NYISO is currently determining what additional AMS information, if any, is needed to ensure that the mitigation process will be in place by the March 7 effective date.
- ◆ Resource requirements and schedule to automate the mitigation process will be determined after AMS manual design is complete.

Related ICAP Market Issues

- ◆ Filing also notes that NYISO and stakeholders to consider:
 - *Need for buyer-side mitigation rules in NYC*
 - *Merits of a forward capacity market design for NY*
- ◆ NYISO plans to discuss both of these issues in greater detail at the February ICAPWG meeting