

MOTION REGARDING FERC'S RECENT DECISION ON DAY-AHEAD
PRICING

The Business Issues Committee recommends that the ISO Board request FERC to:

1) Revise the May 1, 2001 effective date FERC included in its April 29 Order in Docket ER00-3591-009, ER00-1969-010, and ER00-3038-005 (“the April 29 Order”) in favor of an alternate effective date that would i) avoid retroactive price corrections and ii) allow the existing methodology to remain in place while FERC considers proposed amendments to the ISO Tariff. The Business Issues Committee urges the ISO to point out to FERC the risks of gaming and similar adverse consequences that are likely to result from implementation of the Commission’s pricing rule as explained in the April 29 Order.

2) Approve an amendment to the ISO Tariff(s) to i) to more completely describe the current Day-Ahead methodology by clarifying that the price of Energy at each location in the NYS Transmission System is equivalent to the cost to supply the next increment of Load at that location without regard to the Day-Ahead schedules that may result from SCUC’s dispatch of those units (*i.e.* without regard to whether an economic unit is backed down to make room for the dispatch of block loaded units.)

3) Approve, in the alternative, an amendment to the tariff to change the current Day-Ahead scheduling methodology such that schedules would be set consistent with price and economic units would not be backed down to make room for the final dispatch of fixed block resources. Pursuant to such an alternative amendment, Day-Ahead prices would continue to be set as they have been, but schedules would be established in a manner that avoids reducing the schedule of more economic units to make room for the dispatch of block loaded units and increases the consistency between prices and schedules. The costs of generation dispatched in excess of bid load would be recovered from real-time load on a load ratio share.

NOTE: The Commission’s pricing rule for purposes of this Motion is to identify the marginal cost of supplying the next increment of load (the “LBMP) as equal to the bid price of the least expensive unit that has been backed down in situations where a fixed block resource is the marginal unit but, when dispatched, causes other more economic resources to be backed down to make room for the fixed block resource.