



Forward Capacity Market – Advisory Vote

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Background

- ◆ Beginning in August 2008, the ICAPWG has discussed the elements of a forward capacity market design - details can be found on the NYISO website under the ICAPWG meeting materials for March 19, 2009.
- ◆ The Brattle Group issued a report on the costs and benefits of changing from the current ICAP market design to a forward market design.
- ◆ At the May 9, 2009 ICAPWG, the Brattle Group concluded:
“We did not find evidence that the benefits of FCM would be sufficient to justify change at this time in the face of stakeholders’ doubts.”
- ◆ The NYISO is requesting a vote from Market Participants at today’s BIC on the desirability of the NYISO developing the implementation plan and details for the NYISO’s forward market design as presented to the ICAPWG.

NYISO FCM Proposal Elements

- ◆ Advance Auctions
 - *Approximately 75 and 60 months prior to commitment year*
 - *Voluntary two sided auctions*
- ◆ Forward Procurement (FP)
 - *Certifications approximately 50 months prior to commitment year*
 - *FP approximately 44 months prior to commitment year*
 - *Primary purpose is for NYISO to ensure that capacity committed to market is adequate and regulated solution need not be triggered*

NYISO FCM Proposal Elements

- ◆ Reconfiguration Auctions
 - *Physical Reconfiguration Auction - covers load forecast changes, replacement of FP capacity failing to meet milestones - held at year y-3, y-2 and year y-1 and accelerated if there was a significant failure of qualified capacity*
 - *Voluntary Reconfiguration Auction - to allow reconfiguration of positions taken in the voluntary auctions (e.g., marketers)*
- ◆ Strip Auction (conceptually unchanged from current design)
 - *Semi-Annual auction held before spot auctions*
- ◆ Spot Auction (conceptually unchanged, frequency may be reduced from monthly to less frequent)
 - *Would use Demand Curve*

Rationale for Stakeholder Vote

- ◆ It is anticipated that subsequent efforts to develop the design details and plan for implementation the forward capacity market design will require significant resource commitments on the part of the NYISO.
- ◆ NYISO resources currently are engaged in, or assessing the effort to complete, a number of high-priority projects:
 - *Demand Response Information System*
 - *ICAP CMS*
 - *Deliverability rules for External Resources*
 - *Developing criteria to assess additional capacity zones, and assessment of the software changes needed to implement additional capacity zones*
 - *SCR aggregation rules, DSASP small customer aggregations*
 - *Demand curve reset process*
- ◆ The NYISO believes that additional effort on FCM development at this time will seriously impact the ability to address the above-mentioned projects.
- ◆ This vote will not preclude further consideration of FCM design, if stakeholders desire, in a timeframe that maintains the NYISO's ability meet project commitments.



The New York Independent System Operator (NYISO) is a not-for-profit corporation that began operations in 1999. The NYISO operates New York's bulk electricity grid, administers the state's wholesale electricity markets, and provides comprehensive reliability planning for the state's bulk electricity system.

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