Design Element	Description

Voluntary Auctions (75 months[1], 60 months)	• Voluntary auctions similar to current strip auctions
	• Held five and six years prior to commitment year
	• Open to all buyers and sellers
	• Sellers do not identify physical capacity at time of auction
	• At conclusion of advance auctions the following is established
	  o Sellers will have an obligation to certify physical capacity prior to FP and to provide that capacity in the FP
	  o Buyers will have the right to "advance capacity" that will be considered when allocating FP capacity to load and that can be used in the spot auctions
	• Require parties to attest that there are no arrangements between buyer and seller
	• Hedges/virtual positions as to FP price can be placed in advance capacity auctions

FP Certification (50 months)	• Approximately 6 months prior to FP
	• Sellers in the advance auctions present qualifications for identified physical capacity
	  o Demonstrate physical capability and stage of development
	  o Provide required financial security
	• If seller in advance auction fails to certify, the seller assumes the liability to buy the uncertified capacity at FP price
	• Any bilaterals or self-supply also present qualifications
	  o Obligations the same as for advance auction sellers
	• All certified advance auction capacity, bilaterals and self-supply would be netted against NYISO forecast requirement to determine amount of capacity to be bought by NYISO in FP
	  o If qualified capacity equals 100% of NYISO forecast requirement, no FP necessary
	• All other capacity wanting to bid in FP must also meet qualification standards

Rules/verification criteria for demand response	TBD
Ability for existing generation to mothball/retire	TBD
Collateral/credit requirements	TBD
Qualification for existing resources	TBD
Qualification for new resources	TBD
Commitment term	• One year

[1] Times refer to months prior to beginning of commitment year (June – May).

FP Auction (44 months)	• Forecast requirement based on current year IRM/locality requirements (unless NYSRC adopts multi-year IRM) and commitment year load forecast • NYISO holds FP if forecast capacity requirement based on Y-4 IRM and commitment year forecast load exceeds qualified advance and self supply capacity • Pivotal suppliers in NYC must offer (consider treatment of retiring/mothballing units above) • All certified advance auction capacity, bilaterals and self-supply are bid in at zero • NYISO bids on behalf of commitment period load to purchase 100% of forecast requirement • LSEs can bid to buy incremental amounts above 100% requirement • NYISO FP purchases will be allocated to LSEs just before the spot auction for the commitment period • NYISO also bids and purchases in FP for any advance auction seller that has failed to qualify capacity • There are no virtual opportunities or hedges in the FP auction
Treatment of imports/exports	• Eliminate import rights award process in favor of open auction. • Need to tie in capacity import limits modeled in Class Year study prior to FP auction • Given known import limits at the FP auction: o Simultaneously solve auction recognizing individual and joint capacity import limits. o Allow resources in adjacent control areas to qualify for FP auction as part of FP auction certification process. o Calculate clearing prices for each control area, which may be at or below the NYCA clearing price. • Auctioncertification requirements For imports TBD • May need to identify noncompetitive interfaces for forward capacity market •
Physical vs. financial treatment of new capacity between FP auction and commitment year	• TBD

Physical Reconfiguration auctions (37 months, 23 months, 10 months)	• NYISO buys added capacity if load forecast rose or sells if load forecast declined • Capacity providers procure capacity to satisfy their physical obligation if that was more economic than their own alternatives • NYISO buys replacement capacity if capacity qualified in connection with the FP failed to meet a development milestone or was unable to perform (it is assumed that NYISO would monitor qualified capacity and be able to terminate any rights such capacity would have if the capacity was not on track) • This auction would be held at year y-3, y-2 and year y-1 and accelerated if there was a significant failure of qualified capacity • Both NYISO and qualified capacity providers could bid to buy and both NYISO (in event of load forecast decrease) and providers of new capacity that did not qualify in FP could bid to sell • Successful sellers would assume a physical obligation equivalent to advance, self supply and FP capacity • Successful buyers (other than NYISO) would be relieved of their physical obligations to NYISO for amount bought • Capacity procured in these auctions must be physical as it will be needed to meet minimum capacity levels for adequacy • There are no virtual opportunities or hedges in the physical reconfiguration auctions
Voluntary Reconfiguration auction (19 months)	• Marketers may have acquired an advance capacity position that instead of taking to the spot market they want to sell to an LSE who will use the position to reduce the FP allocation or to another marketer • An LSE may want to increase or decrease its advance capacity position to reduce or increase its FP allocation • Marketers may want to buy advanced capacity to speculate on the value of the spot auction • NYISO will be tracking advance auction positions for purposes of the FP allocation and while such positions can always be traded bilaterally an advance auction position reconfiguration auction will facilitate such trades • An advance capacity reconfiguration auction could be held at year-1.5 and buyers in the advance auction could sell their positions and marketers and LSEs could buy advance positions • An LSE buying advance capacity positions in a voluntary reconfiguration auction will see a reduction in its FP allocation and not an increase in the amount of capacity it brings to the spot auction • Virtual traders can buy capacity in voluntary reconfiguration auction to take a position on the spot auction outcomes

Strip auction (6 months)	• Buyers in strip auction would be able to use capacity bought in strip auction in spot auctions • Sellers in strip auction would be required to deliver to spot auction physical capacity that was not qualified in connection with the FP or sold in a physical reconfiguration auction • Sellers in strip auction who fail to deliver would become buyers in spot auction for amount not delivered • Physical demonstration of capacity is not required until spot auction as capacity sold in this auction will be in excess of minimum requirement which will have been provided from FP, from advance auctions, from self supply or from physical reconfiguration auctions • An LSE buying in strip auction will not see a reduction in its allocation of FP capacity, but will be able to use strip purchases in spot where they may buy additional capacity • Hedges/virtual positions as to spot auction prices can be placed in strip auctions
Spot Market auctions	• Same structure as current spot auctions • Using the demand curve • Qualified physical capacity • Locational clearing prices • Accounting settlement o LSEs buy or sell the difference between their capacity requirement and (advance capacity + certified self supply + FP allocation + other reconfiguration or bilateral purchases) o Advance capacity sellers, self supply, FP sellers and reconfiguration auction sellers must buy any shortfall between capacity sold and capacity delivered • Frequency TBD
Methods to elicit CONE	• Administrative process similar to current reset process needed initially • Consider using most efficiently technology (or lowest net CONE technology) in any administrative rule • All cleared offers of new capacity would be candidates for inclusion in the CONE calculation for the associated capacity region, subject to Market Monitoring review. • Uncleared new capacity offers could also be candidates subject to additional analysis by Market Monitoring. • The size and types of new entry relative to each capacity region and projected load growth may limit the opportunities for revealed CONE. • As a practical matter, CONE will initially be set by an administrative process, and may continue to be set administratively if insufficient new entry exists in a particular capacity region.
CONE reset	TBD
Treatment of whole unit sales	• Clear the market at the lowest total cost to load (MW Bought x Clearing Price)

Market power mitigation	• Applies to NYC only • Uneconomic entry rules unchanged from current market design – proposed new entry subject to offer floor of 0.75*CONE unless the owner provides lower cost information • Existing supply-side test for pivotal suppliers remains the same – entities identified as pivotal must offer existing supply at or below cap • Cap defined as: o When total existing supply is assessed to be below 100% of the in city capacity requirement: 1.5*CONE o When total existing supply is assessed to be above 100% of the in city capacity requirement: *min*(0.8*CONE, 2*CY_demand_curve_price), where the demand curve price is based on NYC excess from FP certified capacity in the commitment year • Participants in voluntary auctions will be required to attest to affiliations with other Market Participants. o Suppliers selling in the voluntary auctions backed by new capacity may request MMP review of costs vs. uneconomic entry floor. o If approved, will not be subject to uneconomic entry test in FP auction • NYC Uneconomic New Entry: o Once physical capacity is identified at FP auction certification, resource would be reviewed by MMP and evaluated against uneconomic entry floor. o If the resource fails the uneconomic entry floor test, the supplier will be required to offer that resource into the FP auction.
EFORd or equivalent measurement	• Use existing resource definitions and measurement rules
Locational requirements	• No changes from current rules
Use of seasonal models	• Design as annual, not seasonal model • Additional rules TBD
Treatment of UDRs	• No changes from current rules • Need to consider IRM study ramifications if sold in FP auction
DMNC testing rules	• No changes from current rules
Deficiency/penalty charges	TBD
Establishing LSE minimum UCAP requirements	• No changes from current rules
Handling customer switching	• No changes from current rules
Maintenance scheduling requirements	• No changes from current rules

Operating data reporting requirements	• No changes from current rules
ICAP to UCAP translation	• No changes from current rules
Bidding, scheduling and notification requirements	• No changes from current rules
Interaction w/ Deliverability rules	TBD
Need for transition period	TBD