

Mitigation with Respect to Guarantee Payments

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Background

➤ **Current Tariff Language**

- *Allocate BPCG costs to Long Island*
 - ▶ When LI reserve constraints caused units to be committed.
 - ▶ When the commitment caused the impact threshold to be exceeded.

➤ **Compliance Report to FERC on 9 December 2002**

- *Addressed the issue of whether BPCG costs should be allocated to LI when the reserve constraints onto LI are binding.*
 - ▶ The purpose of such allocation was the mitigation of market power.

Analysis and Conclusions

- **LECG Analysis of Commitment and Price Outcomes**
 - *Under conditions of binding constraints neither bidding conduct thresholds nor BPCG impact thresholds were breached for units providing reserves.*
- **Allocation of BPCG costs to LI is not warranted.**
- **Regular costs for reserves provided by LI are appropriately part of statewide uplift.**

NYISO Proposal

- **The existing tariff language needs to be modified.**
 - *The language addresses allocation of BPCG costs to LI when a LI unit is providing reserves and the reserve constraints cause the unit to be committed.*
 - *But:*
 - ▶ There has been no market power abuse of guarantee payments on LI.
 - ▶ Rerunning SCUC to determine causation under the circumstances described above is unduly burdensome and expensive.
 - ▶ Current measures to mitigate guarantee payments are adequate.

Mitigation Overview

- **Startup and min-gen bids are subject to mitigation if they exceed conduct thresholds and cause guarantee payments to exceed certain thresholds.**
- **Day-Ahead**
 - *The assessment is made against the DAM-generated BPCG.*
- **Balancing Market Evaluation**
 - *The assessment is made against the operating day-generated BPCG.*

Day-Ahead

- **The MMP monitors all of the bids for all services offered by a unit across the day.**
- **If an energy bid fails conduct, it will be examined by AMP for impact when the LBMP exceeds \$150.**
- **If a startup or min-gen bid fails conduct, the MMP will compare the guarantee payments determined from default bids to payments determined by the unit as-bid.**
- **If the impact threshold is breached, then the Market Monitor will seek an explanation for the bids from the facility owner.**
- **If that explanation is not satisfactory, then upon consultation with the Market Advisor and with Senior Management, information is sent to Customer Settlements to facilitate billing at the mitigated level, and the unit is placed on the watchlist for startup and min-gen.**
- **AMP III-IV will automate this process.**

Balancing Market Evaluation

- **As with the DAM, the MMP monitors bids for all services offered in each hour.**
- **Conduct failures are then analyzed for impact at the end of the operating day, since the in-day BPCG is calculated across the entire operating day.**
- **The Market Monitor will seek an explanation for the bids from the facility owner.**
- **If the explanation is not satisfactory, then the Market Monitor will consult with the Market Advisor and Senior Management to reach a final decision on mitigation.**
- **Units whose behavior causes a material increase in their guarantee payments will have their bills adjusted to reflect mitigation of those bids that breached conduct and impact thresholds.**