Proposal for Generator Slot "Allocation"

Issue

NYISO has only 50 generator slots ("slots") available to allow for DADRP bidding. This leaves us with a problem of allocation of this resource or forcing some kind of standard product/LSE aggregation. This problem is worsened by the need to bid behind the fence generators.

This document makes proposals for addressing this problem.

So far the ISO has made a proposal to make "fixed" allocations of the slots on two different basis. While this is a method that could be employed, it may well assign slots to locations where there may be little or no interest in the DADRP. This is turn raises the issue of what would happen to slots thus assigned but not utilized. The program would also not look good in retrospect if there were numerous gen slot allocations that did not ultimately get utilized since the economics were not working, i.e. end-use load's willingness to bid for interruption was consistently above where the DAM clears; this latter case going to the larger number of Mws potentially being available in locations with more difficult economics, for instance West of Total East. (Please note that there is nothing implying that loads in any location should not be able to have a price response it is just that we are nurturing a nascent process and having overall success should outweigh individual concerns and overall success may in fact speed up availability on a wider basis)

We also want to recall that the purpose of this program (and it is now a bit fuzzy around the edges) was to provide a resource to the ISO that allowed for demand response. That should be modified to be an incentivized economic demand response. My read of that would be that the value would be higher in congested areas: LI, NYC and East of Total East.

Proposal

1 That there is a carve out for NYC and LI of the available slots. Currently the PSC's web site lists 15 active (i.e. actually serving load) LSEs in ConEd's territory and 1 in LIPA's. To this one would have to add ConEd itself and LIPA, respectively creating and initial allocation of 16 for NYC and 2 for LI. This ensures that existing, active LSEs have a good chance of being able to obtain a slot for the DADRP since they do not have to make the evaluation of the economics of signing up a new load as others will have to. (Note: this assumes the PSC's posted info is up to date.)

2 The ISO, during a pre-set open enrollment period, would take on a first come, first served basis applications for gen slots that have a signed contract with end use customer(s) to participate in the DADRP. NYC and LI LSEs would have to submit applications for the pre-allocated slots (18) and any additional slots (32) that may be available in overall program. If by the last day of the enrollment period (something like a 2-3 day period), all of the pre-assigned slots were not allocated then they would be allocated to applicants based on their dated submission.

3 If the ISO created additional slots or others were freed up, they would be assigned in the order in which previously submitted but unfulfilled applications were received (unless the application were withdrawn) and then to any new applications in a subsequent enrollment period.

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4 It was proposed on the phone that since behind the fence gens would take a second slot at any location that they be put in a secondary queue to be allocated gen slots only if there were not enough load applications submitted. (Since the diesels are prohibited from participating the impact of this move seems to be more beneficial overall)

5 Slots may be released (an issue the ISO's allocation formulas did not address) for the following conditions: (1) bids not being accepted on 10 occasions (i.e. daily basis) when DADRP bids were accepted elsewhere; (2) bids not being submitted on 5 occasions when DADRP bids were accepted elsewhere; (3) no bids were made for 15 consecutive weekdays. These conditions go to (1) overall program economic results; (2) signing up customers perhaps with no intent to bid (hey, you never know); and (3) non-use of the program. (2) and (3) really go to making sure that DADRP participants bid in. (We can all discuss the appropriate number of instances in each case)

This is a poor man's version of having an auction for the gen slots except we use real world results, (1) above, to value the gen slots opposed to some a priori willingness to value them (and then to whom goes the auction monies?) For this summer or maybe for the rest of this year, this may serve everyone best.

6 LSEs would be free to negotiate use of combined bidding strategies if some LSE(s) were not able to obtain a slot. The LSEs would be responsible for any sub-settlement billing and deciding which entity would submit bids to the ISO.

This process removes a large bidding issue from the table (i.e. no standard product creation for aggregated bids) and reduces ISO billing efforts.

This does have a potential negative effect at least on some LSEs. However, it would also inspire some creativity – for example, an LSE with a large load approaches a small LSE that had a slot assigned. While any third party agreement could be worked out – the larger (and presumably more capable) LSE may offer to do the bidding, billing and perhaps offer a slice of the incentive share to piggy back on the smaller LSE's assigned slot. This could be a windfall to a smaller LSE .

<u>Benefits</u>

The least complicated approach to ultimately valuing a scare resource under a demanding time-line. It is ultimately valuing due to the ability to re-assign slots based on effective participation.

Eliminates a "macro" bid aggregation issue and the need for some pre-defined standard product bid. (the "mini" aggregation associated with small loads is still with us)

Allows for re-allocation of uneconomic or poorly utilized slots to those who may value them more.

Eliminates a sub-settlement billing issue for the ISO.

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Downsides

LSEs may not be able to participate as desired i.e. cannot get slot(s) or will be forced to seek out LSEs with slot(s) to be able to bid.

LSEs with slot(s) may simply refuse to agree to participate with other LSEs.