



# TCC Auction Enhancement Features Phase 1 Multi-Duration & Balance of Period

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# Multi-Duration Centralized TCC Auction

The primary questions and concerns addressed in designing a Multi-Duration Centralized TCC Auction include:

- ◆ Will the Spring and Autumn Multi-Duration Centralized TCC Auctions be similar in scope or will longer-term TCCs be sold only once a year?
- ◆ How many rounds will there be in each Centralized TCC Auction?
- ◆ What will be the allowable durations in each auction round?
- ◆ What proportion of the transmission system capacity will be available in each auction to support the sale of longer-term TCCs?
- ◆ How is the concern over the impact of low participation/low prices being addressed?

*Draft – for discussion purposes only*

# Multi-Duration Centralized TCC Auction

- ◆ The NYISO proposes that longer-term TCCs, extending up to five years, be sold in only one Centralized TCC Auction in a year
- ◆ Both Centralized TCC Auctions will consist of three or more rounds
- ◆ In the initial auction round of a Multi-Duration Centralized TCC Auction containing longer-term TCCs, TCCs will have durations of up to five years with allowable increments of one year
  - *New System Transmission Capacity to support longer-term TCCs will be offered in this initial auction round*
  - *TCCs bought or sold need not cover consecutive years*
  - *If applicable, this round is followed by a non-auction round in which 2.5% of the System Transmission Capacity will be made available for LSEs to nominate Non-Historic Fixed Price TCCs*
    - If a non-auction round for Non-Historic Fixed Price TCCs is not scheduled then rounds for longer-term TCCs extending up to five years will not be required

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# Multi-Duration Centralized TCC Auction

- ◆ In subsequent auction rounds:
  - *System Transmission Capacity not used in the initial auction round and the non-auction round will be made available to support the sale of TCCs*
  - *Longer-term TCCs may or may not be included*
  - *Additional transmission capacity will be made available to support the sale of TCCs with a duration of up to one year and at the NYISO's discretion up to two years with allowable increments of six months*
    - 6 month, 1 year, 18 month and 2 year TCCs would be available, depending on the maximum duration allowed
    - The TCCs bought or sold need not cover consecutive 6 month periods
- ◆ In the other Multi-Duration Centralized TCC Auction of the year the auction rounds would support the sale of TCCs with a duration of up to two years with allowable increments of six months
  - *6 month, 1 year, 18 month and 2 year TCCs would be available*
  - *The TCCs bought or sold need not cover consecutive 6 month periods*

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# Multi-Duration Centralized TCC Auction

- ◆ The NYISO proposes that 2.5% of the System Transmission Capacity be allocated to support the auction of longer-term TCCs
  - *If more capacity were made available to support the sale of TCCs extending more than two years into the future, there would be less capacity available to support the sale of shorter-term TCCs*
- ◆ Similar to current procedures, any final decision concerning the % of System Transmission Capacity to make available in a Multi-Duration Centralized TCC Auction to support longer-term TCCs will be made by the NYISO
  - *Prior to any Multi-Duration Centralized TCC Auction, the NYISO will consult MPs to assess the market interest in longer-term TCCs of different durations, which it will take into consideration when making its determination*
  - *For subsequent Multi-Duration Centralized TCC Auctions supporting longer-term TCCs, the NYISO will consult MPs and use results of previous longer-term TCC auctions in its decision as to the % of the System Transmission Capacity to be made available*

# Multi-Duration Centralized TCC Auction

The NYISO is aware of the concern over the impact of low TCC prices in years 4 and 5 of the longer-term TCC auction. In the event of such an occurrence the NYISO is considering several measures that could provide for a more robust Multi-Duration auction of longer-term TCCs in subsequent Centralized TCC Auctions. These include:

- ◆ Increase the interval between Multi-Duration Centralized TCC Auctions supporting longer-term TCCs from every year to some other span
  - *This would reduce the amount of the System Transmission Capacity made available over time*
- ◆ Develop a process to establish a floor (reservation) price on major transmission system constraints

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# Multi-Duration Centralized TCC Auction

- ◆ The NYISO is also examining a reduction in the amount of System Transmission Capacity offered in the initial auction round for years 4 and 5
  - PRO: *Could increase prices in later years*
  - PRO: *If TCCs were sold on some constraints at exceptionally low prices in years 4 and 5, the low priced sales would be for a small amount of capacity with limited revenue impact*
  - CON: *Decreasing the amount of available capacity could increase the number of fractional TCCs that exist, which would then be rounded to zero*
  - CON: *With fewer TCCs available at a lower % of capacity in years 4 & 5, MPs might not find it worthwhile to bid for TCCs in those years*

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# Balance of Period-Reconfiguration Auction

The ability to buy and sell TCCs of multiple durations:

- ◆ Allows expansion of monthly reconfiguration auctions to cover:
  - *Next Month*
  - *Combination of months*
  - *Remainder of the Capability Period*
- ◆ Allows MPs to adjust congestion hedges as load obligations change
- ◆ Enables the NYISO to carry out a single round monthly auction in which TCCs of additional months can be reconfigured

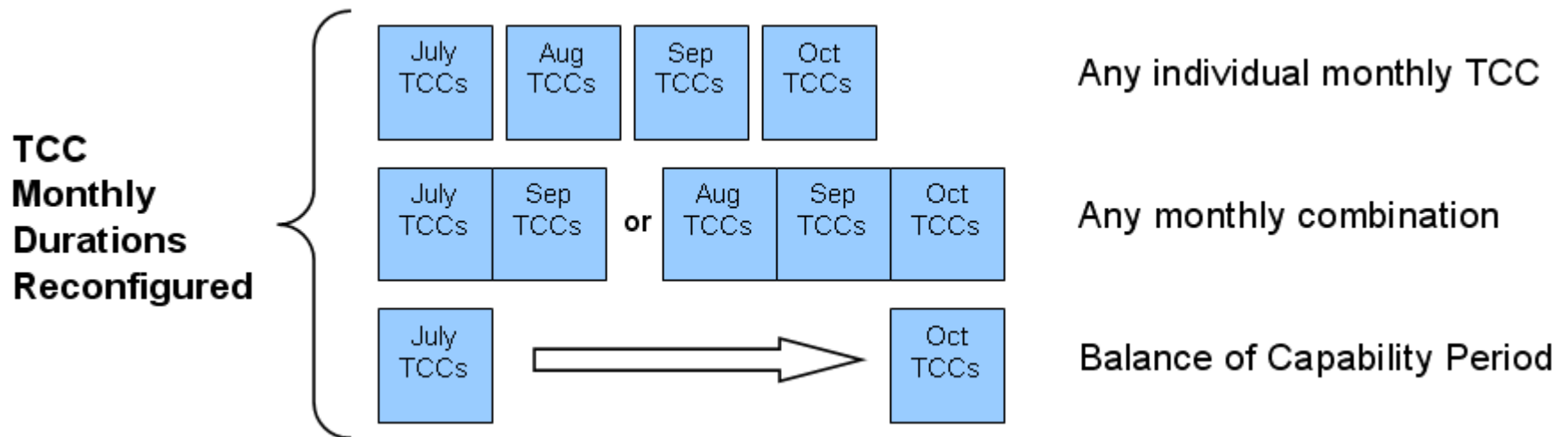
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# Balance of Period-Reconfiguration Auction

- ♦ The Balance of Period (BoP) auction allows a participant to reconfigure TCCs over the remaining months of the current Capability Period
  - *TCCs covering any month or combination of months in the current Capability Period could be bought or sold*
  - *The TCCs bought or sold need not cover consecutive months*

## Example: July Monthly BoP Auction

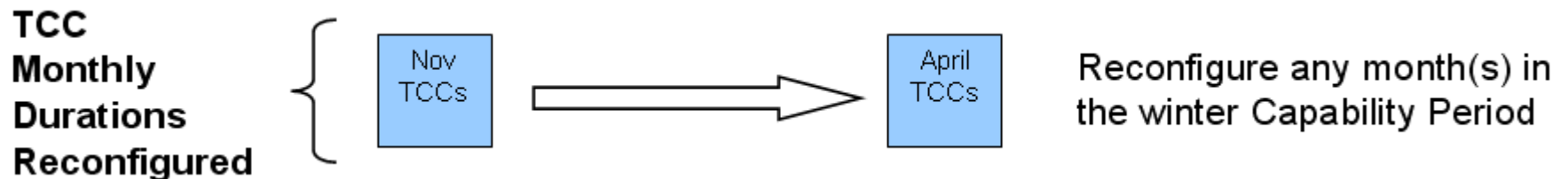


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# Balance of Period-Reconfiguration Auction

For the monthly auction held in the last month of a Capability Period any month or combination of months in the next Capability Period may be reconfigured

## Example: November Monthly BoP Auction



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# Credit Impacts

- ◆ BoP Auctions will enable the NYISO to better manage credit exposure by identifying changes in TCC market valuations much earlier than under current Mark to Market provisions
- ◆ Market Participants (MPs) will be able to hold a variety of combinations of monthly, 6 month, 1 year, 18 month and multi-year TCCs for which historical data on auction prices and TCC payments are not available
  - *Credit coverage requirements and policies will need to be determined and vetted through the shared governance process*

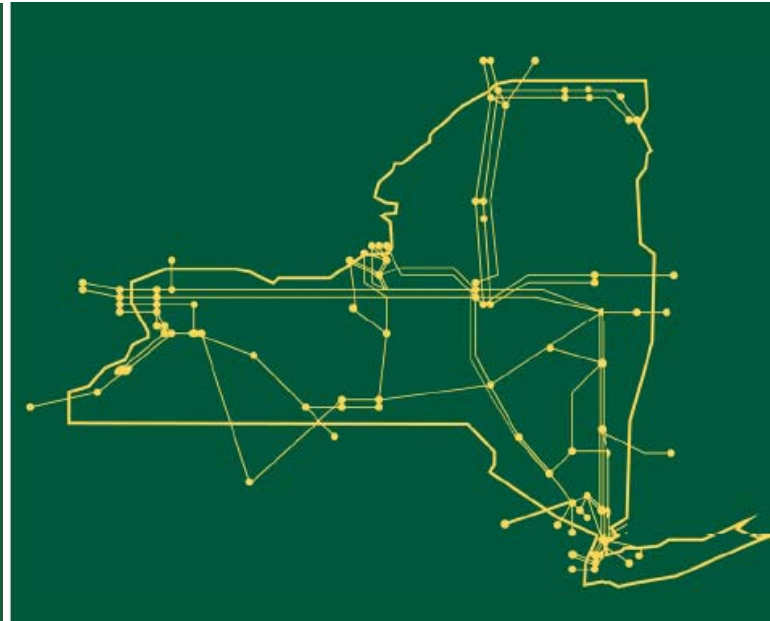
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## Next Steps

- ◆ The NYISO will incorporate the MP's comments and feedback
- ◆ Schedule follow-up MIWG sessions if necessary
- ◆ Will present a concept design at the September BIC
- ◆ The NYISO will work with stakeholders to develop required tariff changes in 2011
- ◆ The NYISO will work with MPs to develop appropriate credit requirements and policies for Multi-Duration Auctions, BoP Auctions and varying TCC durations, where appropriate

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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 conducts comprehensive planning for the state's bulk electricity system.



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