

# Draft 2005 Market Evolution Strategy

2007-2011

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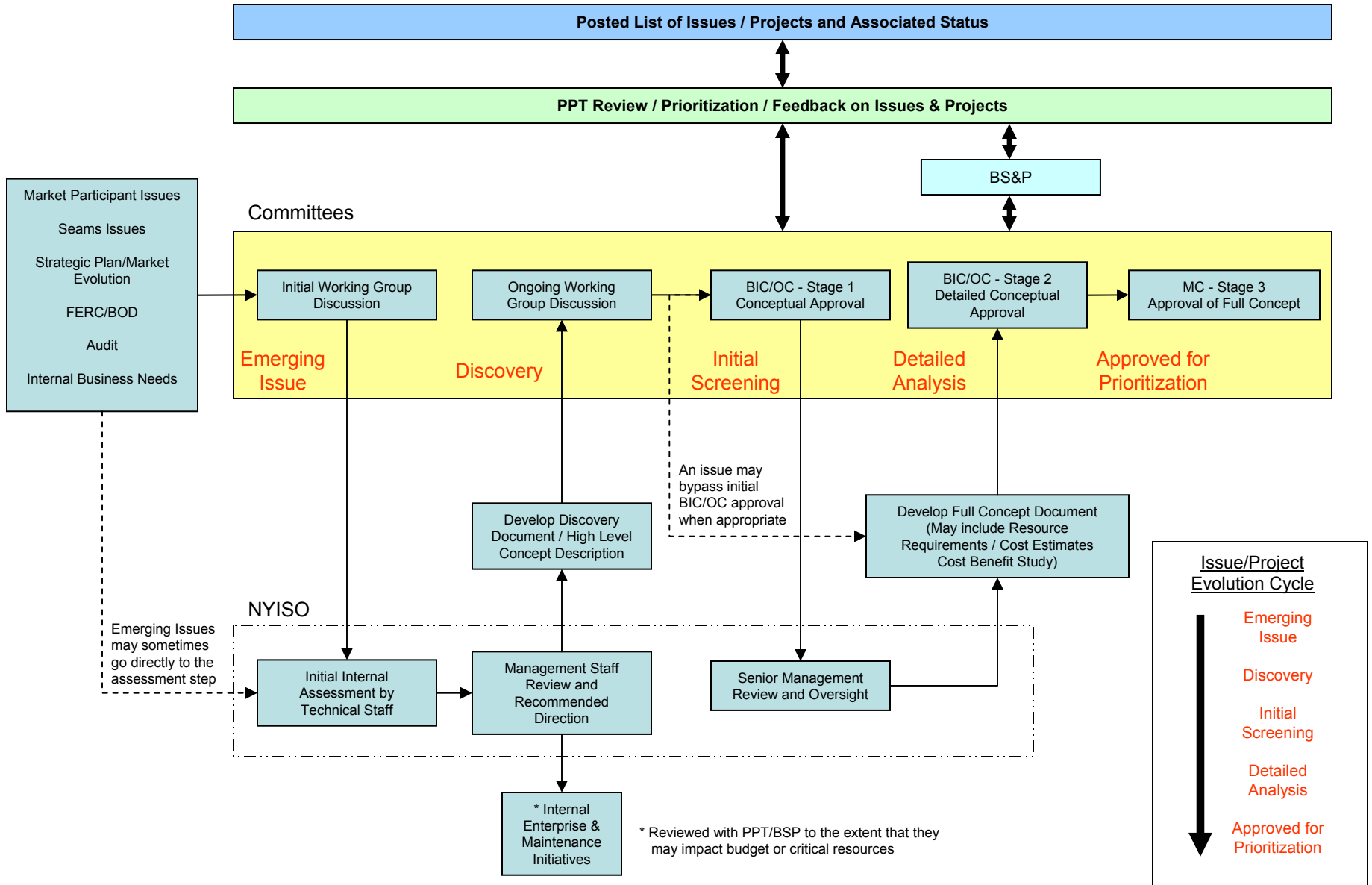
Market Structures Working Group Meeting  
June 24, 2005

# Objectives of the Market Evolution Strategy

- Provide a rationale for future enhancements to the NYISO markets.
- Provide guidance for NYISO committee and working group activities.
- Provide a common framework for multi-year budget, project & product planning.
- Support NYISO Strategic Planning and annual Business Planning processes.

# Draft – For Discussion Purposes Only

## Issues Management, Approval and Prioritization Process



# Market Design Criteria

- Maintain and enhance the quality of the short and long-term price signals.
- Minimize barriers to market entry.
- Move unhedged costs into market prices.
- Maintain & support level playing field for all market participants.
- Expand and enhance robust regional markets.
- Simplify and reduce complexity where possible.
- Leverage new technology advancements.

# System & Market Landscapes 2007-2011

- Modest growth in electricity demand (1.2%)
- Generation additions and retirements
  - 2038 MW conventional generation under construction
  - 6763 MW approved under expired Article 10
  - 1946 MW of generation retirements announced
  - NY Renewable Portfolio Standard (RPS) additions
- New environmental rules
  - Federal Clean Air Interstate Rule (CAIR)
  - NYS Mercury Rule
  - Modifications to NY NO<sub>x</sub> & SO<sub>2</sub> trading programs
  - Regional Greenhouse Gas Initiative (RGGI)
- NY PSC expansion of retail energy markets

# Stakeholder Process Feedback from Sector Meetings

- Pursue two development tracks
  - (Inward) NYISO Market Efficiency Improvements
  - (Outward) Regional Market Integration Enhancements
- Take a more strategic approach to project development (move away from historic “reactionary” approach).
- Engage MPs earlier in the conceptual discussions.
- A more rigorous assessment of alternatives and project benefits will assist NYISO and MPs with establishing priorities and allocating resources.

# Stakeholder Process Feedback from Sector Meetings

- Reserve some resource “bandwidth” to accommodate as yet unknown demands on the market model.
- Ensure coordination of the Market Evolution Strategy with the regional planning process.
- Market functionality extensions should be fully integrated with NYISO’s “Excellence in Execution” quality assurance initiatives.

# Stakeholder Process Feedback from Sector Meetings

- Suggested approach to finalize the Market Evolution Strategy document...
  - Conduct 1 or 2 full-session MSWG meetings devoted to Market Strategy development.
  - Maintain a standing agenda item for Market Strategy development on future MSWG meetings.
  - Provide regular reports to BIC and communicate which issues are proceeding with conceptual development as part of the evolution strategy.
  - Continue to use Sector Meetings to further discussion in this area.
  - Support ongoing coordination with annual business plan and budget development.



# Today's Goal

- Establish the process for determining which initiatives we will initially develop
  - Consider grouping into “A” and “B” lists within each development track
  - “A” list initiatives will be pursued through white papers, straw proposals, stakeholder discussion, etc. with a view towards becoming projects in 2007
  - “B” list will be reviewed with any new issues as part of the ongoing market evolution process
- Review the initiatives list for completeness

# Plan for Next MSWG Meeting

- Following today's meeting, stakeholders should review the list and submit their recommendations and rationale for "A" issues
  - E-mail to [dlawrence@nyiso.com](mailto:dlawrence@nyiso.com), copy to [rstalter@nyiso.com](mailto:rstalter@nyiso.com)
- The NYISO will compile responses and review with stakeholders at the next MSWG meeting – goal is to achieve consensus at that meeting.
- Present consensus list at BIC for affirmation.

# Stakeholder Issue-Specific Input from Sector Meetings

- **Review the proxy bus pricing calculations for the NYISO-PJM proxy.**
- **As an alternative to developing a forward Capacity Market, the NYISO might consider simply extending the three year demand curve cycle to five years for enhanced market certainty.**
- **Coordinate the desire for longer term TCCs with appropriate credit policy modifications.**
- **Continue to be vigilant with respect to numerous emerging environmental issues which could impact market functional requirements.**
- **Re-evaluate the approach to integrating merchant transmission projects, with special attention to intra-control area projects.**
- **Review cost allocation mechanisms with an eye towards ensuring that MPs only bear the cost for the services they actually use.**