

Reserve Self-Supply
SPWG 10/8/04

Current Status:

- FERC order is in place to provide physical self-supply of reserves as a hedge against a failure of the non-synch reserve market.
- NYISO has filed a compliance filing agreeing to develop with market participants the design details of a compliant solution.
- Implementation of even the simplest of solutions will not be trivial and market participants agree it will be of little benefit and that the risk of a reserve market failure is remote.
- NYISO staff and market participants appear to be in agreement that this is not an effort for which we want to divert resources, needed for other purposes at this time.

Proposed Action:

- Desire to gain unanimous BIC and MC concurrence for the following position to be filed at FERC as the result of the joint consultations regarding design of a compliant solution.
 - The risk of a reserve market failure is presently remote and poses no apparent threat to market participants.
 - An analysis of the SMD2 changes to the reserve markets predicts little if any financial incentive to restructure cost allocations for reserve.
 - There is a substantial list of enhancements to the NYISO market and infrastructure for which there are limited resources to address.
 - Market participants therefore wish to defer any further efforts toward a self-supply option until the ISO has been able to evaluate the actual operation of the reserve markets under SMD2 (Unless significant issues arise sooner, this determination would likely occur after the 1st summer of experience with SMD2).
 - Should the markets under SMD2 behave consistent with the predictions of the current analysis, we would return to the BIC and MC for support of a recommendation that FERC withdraw its directive to implement a self-supply option in New York's markets.
 - Should SMD2 reserve markets not behave as predicted, we would recommend that we take up this issue again at that time and develop a solution appropriate to the nature of the observed problem.
- Recommend presentation of this proposal for action at the October BIC and November MC meetings.

Bob Thompson