

Day-Ahead Margin Preservation: Issues Regarding Gas Balancing Costs

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Day-Ahead Margin Preservation: Recap

- NYISO or TO security instructions may require a generator to operate below its DAM schedule independent of the real-time price.
- As always, the generator will buy out the remainder of its DAM position.
- The intent of the DAMP is to make generators whole for the difference between Day-Ahead and Real-time prices.
- The outcome is that generators' Day-ahead margins are honored for certain NYISO-initiated actions that otherwise disadvantage the generators.

Issues with the DAMP

- NRG lodged a protest to the FERC order approving the request to incorporate DAMP into the Tariff.
- NRG correctly contends that the DAMP payment does not compensate them for gas balancing penalties incurred for not running as originally anticipated.
- FERC has directed that the issue of such compensated be addressed through the committee process.

Market Advisor and NYISO Position

- It is inappropriate to make gas balancing payments outside of the market process.
 - *The NYISO honors bids, not out-of-pocket costs.*
 - *Costs should be included in suppliers' DAM bids.*
 - *LBMPs, rather than uplift, should reflect those costs.*
 - *Vouchsafing such costs outside the market may inadvertently support inefficient decision-making.*
- For in-City mitigated units, reference levels may need to reflect the expected value of gas balancing penalties.
- Therefore, the NYISO staff recommends that no change to the Tariff in this matter be pursued.