

MEMORANDUM

TO:	BIC
FROM:	Generation Issues Task Force
RE:	USE OF UPPER OPERATING LIMITS BY ENERGY LIMITED RESOURCES: HYDRO, PUMPED STORAGE, AND NO _x LIMITED GAS TURBINES

The NYISO and Market Participants in the Generation Issues Task Force have agreed to begin the use of Upper Operating Limits (“UOLs”) by Energy Limited Resources (*i.e.* hydro, pumped storage and certain NO_x constrained GTs). The rule set for these generation types can be designed more quickly than the rule set for the use of UOLs by the balance of generator types serving the New York Control Area. It is expected these changes will be ready by summer, 2001. The NYISO and Market Participants will continue to work together to craft appropriate changes in the manner in which other unit types, including non-NO_x constrained GTs, can be bid using a UOL. The NYISO will endeavor to implement these changes by May 1, 2001, but cannot be assured that action on that time table will be possible.

IMPLEMENTATION

ELR units fall into two categories, those that have limited hourly/daily supply capacity (pumped storage and conventional hydro) and those that are subject to environmental restrictions (some hydro and GTs). Owners of such units pursue bid strategies and operating periods that can add inefficiency to system operations and reduce the ability of NYISO Operators to schedule units in times of system emergencies most efficiently. Requests for these units to operate inconsistently with their DAM schedule can expose owners to financial harm.

To alleviate these concerns, owners of hydro, pumped storage, and GTs that can demonstrate operational or environmental restrictions will be permitted to bid using a UOL as follows:

- Owners of such units will be required to demonstrate to the ISO what effects their supply limitations, or their environmental restrictions, impose on their operating schedules;
- Units bidding in such a manner will provide a bid curve up to their maximum available operating capability for that day and will be permitted to use a UOL on their bid curve indicating the upper point the unit can/desires to operate for every hour;
- SCUC, BME and SCD will not schedule the unit for that hour above its UOL;
- Operating policy will be developed to permit operator intervention to request the unit operate to its full output when operating conditions demand, even if inconsistent with the DA schedule;

- Such operating intervention would, however, respect the unit's actual daily supply capability and its limited run times due to NOx limits as appropriate.
- Units would be held harmless when RT operations expose them to replacement energy costs that exceed day ahead revenues.