

# Forward Capacity Procurement Obligation

**NYISO Installed Capacity Working Group Meeting**

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# Why Implement A Forward Capacity Procurement Obligation

- Consistency With PJM and NE-ISO Capacity Markets
- Have A Capacity Market That Directly Assures Reliability Targets Are Met
- Consistency With NYISO Planning Process
- Add Additional Supply Options To Our Market

# Neighboring Markets

- Both NE-ISO and PJM Implementing Forward Capacity Procurement
- NE-ISO Forward Market Design Already Approved by FERC.
- PJM Forward Market Design Settlement Scheduled to be Filed Around the End of the Month

# Assure Capacity Is Procured To Meet Reliability Targets

- The Forward Obligation is Designed To Accommodate New Entry As A Potential Supply
- Forward Market Both Induces and Prices New Capacity When It Is Needed
- Capacity Procurement Is Done Through A Non-Discriminatory Method
- New Entrant's Are Provided Assured Revenue for A Relatively Short Period (5 year)

# Consistency With Planning Objectives

- Our Planning Rules are Designed To Assure Reliability Targets Are Met
  - Meeting The Installed Capacity Requirement is Considered a Reliability Requirement.
  - In The Event of That Insufficient Market Induced Solutions Are Coming Forward the Plan Will Rely Upon Meeting The Capacity Requirement With A Regulated Backstop Solution
  - Regulated Backstop Solutions Would Result In Discriminatory Procurement With Disastrous Impact On The Capacity Market

# What Amount Of Capacity Must Be Procured On A Forward Basis

- 100% of the Capacity Requirement
- Reliance On A Voluntary Forward Procurement Or Less Than 100% Obligation Will Not Result In Assuring The ISO Market Mechanism Induces New Entry
- Our Current Short-Term Capacity Market Is Based Upon the Willingness (and Possibly Need) to Occasionally Have The Capacity Market Fall Short Of Requirements
- Recent Out Of Market Procurements And The Decision To Keep Poletti I Operating Show The Unwillingness To Allow Even A Minor Capacity Shortfall
  - If We Had A Forward Procurement Option Then We Would Have Procured New Capacity And Not Had To Rely Upon Delaying The Retirement of Poletti I

# Where Do We Go From Here

- It Is Likely that the Next CRP Will Identify Reliability Needs For Capacity
- We Should Begin Working on Designing A Forward Procurement Obligation
- While There Will Be Numerous Details To Work Out, Implementation Should Be Relatively Easy Since It Should Be Able To Work Off Our Existing Models/Software