

Agenda #11

**ICAP IMPORT RIGHTS PROPOSAL
HQ Energy Services (US)**

**BUSINESS ISSUE COMMITTEE
NYS Nurses Association
Latham, NY**

August 21, 2002

BACKGROUND

- For the 2002-2003 Capability year, the ICAP import limit 2 755 MW
- To monitor this limit, the ISO uses «ICAP Import Rights» that it distributes on a first come, first serve basis to entities making bilateral ICAP deals with externals
- The requester of a Rights must first show that it holds a bilateral contract of ICAP with an external supplier of ICAP (or a participant in NY).

PRESENT ALLOCATION RULES

- Import Rights are available
 - 7 business days prior to the Strip Auction and
 - 5 business days prior to any Monthly Auction
- All rights must be matched with a load in NY prior to the Monthly Auction
- If not, ICAP is sold at \$0 in that Auction
- Both parties to a deal must confirm the existence of an ICAP contract to the ISO when making a request for Rights
- Response by the ISO is made before 5 pm the next day (up to 2 days).

PROBLEMS WITH PRESENT ALLOCATION RULES

- Period for requesting the Rights is too short
- Deadline to match Import Rights and load (Monthly Auction) is too early
- Process by which the existence of a bilateral contract is proven to the ISO is too complex
- Response time by the ISO is too long

PROPOSED MODIFICATIONS

- Extension of the period for requesting the rights from 7 days to 30 days prior to the Strip Auction
- Extension of the deadline to match the Import Rights with a load from the Monthly Auction to the Deficiency Auction
- Allow the possibility that only one party to a bilateral deal confirms the existence of an ICAP contract
- Allow quicker response time by the ISO (within 24 hours)