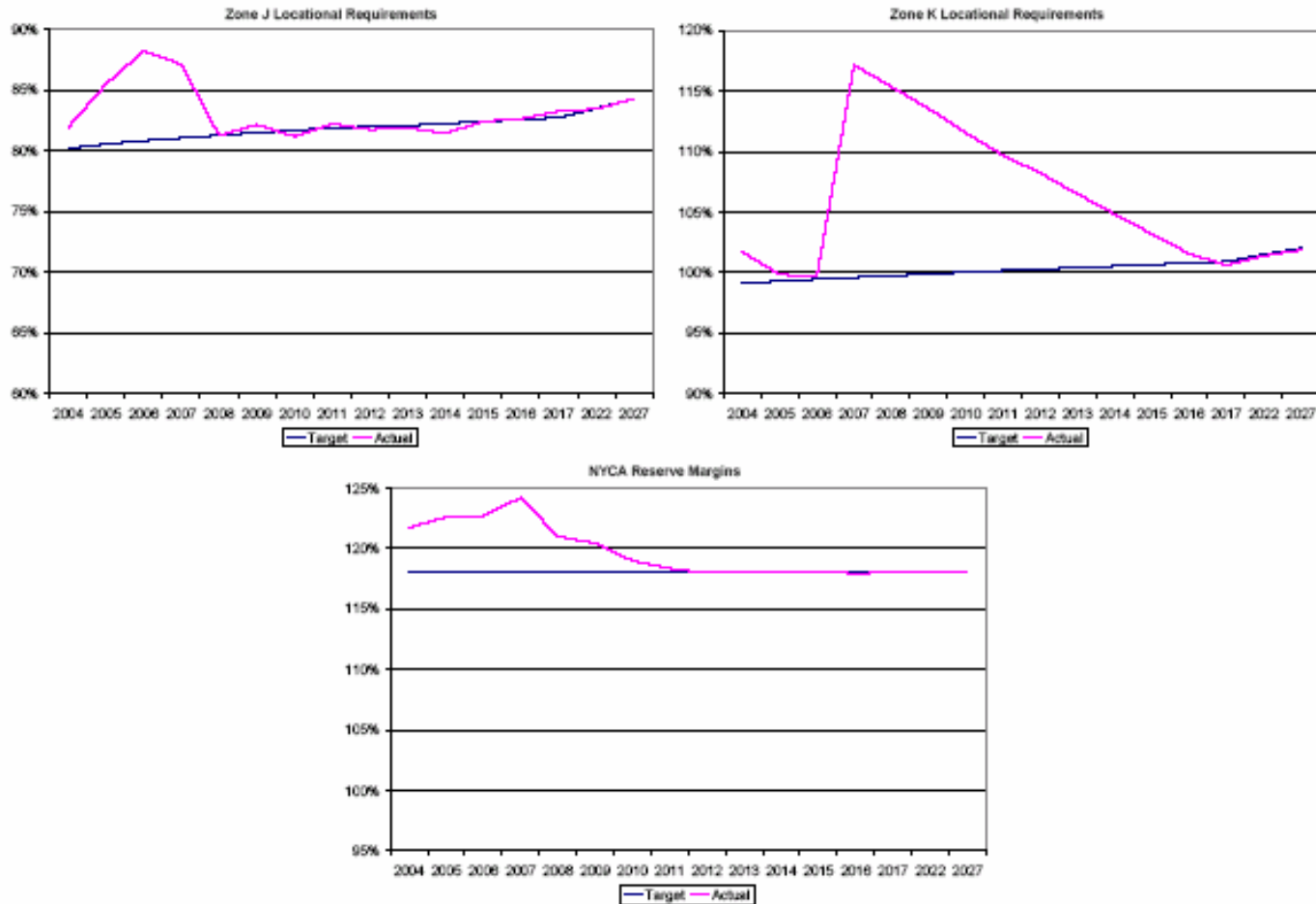# Case IIc
Adjustment of Net Revenues from Energy/Ancillary Services Used to Offset the RoS ICAP Demand Curve

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Problem

Net revenues calculated by Levitan are too small because capacity modeled in study is above equilibrium point

Proposal

Use Historic Ratio of RoS to NYC Net Revenues* from Energy/Ancillary Services as Adjustment Factor

Adjustment for Excess:

$$\left\{ \frac{\text{Avg RoS NR @ 125\%}}{\text{Avg NYC NR 80\%}} \right\} \times \text{ LAI NYC NR @ 86\%} =$$

(LM6000)

$$= \boxed{\textbf{Future RoS NR @ 125+\%}}$$

(LM6000)

Convert LM6000 to 7FA:

$$\text{Future RoS NR} \times \left\{ \frac{\text{LAI } \underline{\text{7FA}}}{\text{NR }_{\text{LM6000}}} \right\} = \boxed{\textbf{Future RoS NR @ 125+\%}^{\text{(7FA)}}}$$

(LM6000)

* Net Revenues from Energy/Ancillary Services are referred to herein as NR or Net Revenues

Calculations

Use Historic Net Revenues from Patton State of the Market Report

2002-2003	$/MW-hr
NYC – Vernon	$45
NYC – 345kV	$28
NYC – Avg	$37
RoS – Capital	$23
RoS – West	$15
RoS – Avg	$19

Historic Ratio = 19/37

LAI NYC NR = $48
(LM6000)

$$\text{LAI NR} \quad \frac{\text{7FA}}{\text{LM6000}} = \frac{6}{7}$$

Case IIc Results

Adjustment for Excess

Future RoS Net Revenues (**LM6000**) = 19/37   X $48 = $25

Convert to 7FA

Future RoS Net Revenues (**7FA**) = $25   X   6/7 = $22

Case IIc for RoS (calculated at 125% reserve margin)

Levelized capacity revenue requirement = $116 - $22 =   **$94**

These results are conservative and should be considered a
upper bound.