NYSRC ICS WHITE PAPER

RECONSIDERATION OF THE TAN 45 IRM ANCHORING METHOD AND THE FREE FLOW EQUIVALENT METHOD FOR THE 2007-08 IRM STUDY

(Draft 5/30/06)

In August 2005 the NYSRC Executive Committee (EC) voted to use the IRM Anchoring Method, i.e., TAN 45 Method, for developing the base case in the 2006-07 IRM study. As a part of the same motion the EC further agreed to reconsider the Free Flow Equivalent Method as an alternative to the TAN 45 Method for use in the 2007-08 IRM study. This paper on page 2 provides the EC with the pros and cons of each method for considering its decision as to which of these two methods it will elect for the 2007-08 IRM study. A separate ICS paper will recommend a consistent mathematical method for deriving the TAN 45 point should this method be chosen by the EC for the 2007-08 IRM study. Both methods utilize curves developed by the Unified Method for providing the relationship between IRM and LCR.

In 2005 ICS considered several alternate methods for developing the IRM requirements utilizing the Unified Method curves. ICS has now determined that the TAN 45 and Free Flow Equivalent Methods are only viable alternate methods that should be considered for the 2007-08 IRM study.

The scope of the EC's reconsideration of the IRM Anchoring and the Free Flow Equivalent Methods should be limited to the NYSRC's responsibility of establishing the statewide IRM requirement; and *should not* consider how costs and benefits associated with procuring capacity are allocated among the LSEs. In accordance with present tariff agreements, the latter is the responsibility of the NYISO which has not at this time considered and adopted a market design policy change that could include NYISO procedures for establishing and allocating LSE costs and capacity requirements associated with IRM requirements and LCRs. The Upstate-Downstate Study and recommendations from the Resource Adequacy Issues Task Force will be considered by the NYISO for this evaluation.

Pros/Cons of Tan 45 Anchoring Method versus Free Flow Equivalent Method

for Establishing Statewide IRM Requirements

Method	Pros	Cons
TAN 45 Method	1. The 0.1 days LOLE criterion is achievable and consistent with available transfer capability. 2. The TAN 45 method is mathematically the most stable on the IRM/LCR curve. 3. To implement the statewide IRM, the NYISO has the option (a) to set LSE ICAP requirements and LCRs based on current practices, **or** (b) to allocate LSE ICAP requirements and LCRs based on a method of minimizing total statewide costs or some other LSE capacity/cost allocation method. The latter option may satisfy the NG & NYSRC/RGE alleged downstate cost subsidizing concerns, although its implementation would require a revision in the NYISO Services Tariff. The NYSRC would accept either NYISO option for implementing the statewide IRM requirement.	None.
Free Flow Equivalent Method	Reduces Upstate NY LSE ICAP requirements and satisfies concerns expressed by NG and NYSGE/RGE with respect to intra-zonal subsidization issues.	1. There may not be sufficient capacity (iron in the ground) in Upstate or Downstate NY to meet the higher LCR requirements for meeting the LOLE criterion at the free flow IRM. Furthermore, by assuming there ***is*** sufficient Downstate capacity to meet the LOLE criterion with a free flow IRM, there is no guarantee that the NYISO will approve the higher LCRs without the sufficient capacity required for meeting the LOLE criterion, unless the NYISO notifies the NYSRC of such a new LCR policy before or during the IRM study process. 2. Adopting the free flowing equivalent IRM may impose locational requirements on at least one additional NYCA zone. This would require a NYISO tariff revision.