

# KeySpan's Proposal for Using Summer DMNC Ratings as the Basis for Capacity Sales

1-16-2003 BIC Meeting

# OVERVIEW OF ISSUE

- Winter DMNC Ratings Cause “Steps” in Supply.
- They Also Cause “Steps” in Price.
- They do not match system operating requirements.
- The Summer peak load is the critical load and the basis for all capacity requirements.
- PJM uses Summer capability year-round.  
Joint Working Group Seeking Convergence.

# OVERVIEW OF PROPOSAL

- Suppliers sell capacity based on summer DMNC.
- Procurement period is revised back to six months.
- Deficiency charge is revised to 1.5x the cost of a GT.
- Capacity “swap out” for Retail Access shifts.
- Price cap would be annual cap divided by 2.

# Purported **BENEFITS**

- Should be simple to implement before Summer 2003.
- More consistent price signal over year.
- Begins lengthening procurement period in accordance with FERC SMD NOPR and RAM Working Group activities.
- Intended to be an incremental step forward.
- Operational advantages.
- “Improves” Seams.

# ADDITIONAL CONSIDERATIONS

- Winter Peaking Loads
- Gas limitation maintenance outages  
December - February.
- Changes to DMNC testing procedures.
- Temperature adjusted information for operations.
- Demand Curves, RAM, CRM, SMD NOPR.
- Doesn't conflict with other proposed changes.