

**TERM SHEET  
FOR SETTLING THE NYISO MARKETS DURING THE  
AUGUST 14, 2003 SYSTEM EMERGENCY**

**Time Period And Standard For Adjusting Prices And Payments**

- The NYISO has determined that the NY Control Area experienced an Emergency System Condition under the Temporary Extraordinary Procedures (“TEPs”) provisions of the tariff. The NYISO experienced a widespread electric transmission and generation equipment outage that prevented the NYISO from dispatching the system in accordance with the Market Rules during a period that included the actual outage, system restoration and system testing. This period lasted from HR 1600, August 14 through Hour 23 on August 17, 2003 (“Emergency Period”).
- Under the TEPs, the NYISO is authorized to recalculate LBMPs when, during the Emergency System Condition: (i) the NYISO could not calculate LBMPs; or (ii) LBMPs that were calculated deviated from the LBMPs that would have been produced absent the emergency.
  - Recalculated LBMPs are to “reflect, as closely as reasonably practicable, the LBMPs or other prices or payments that would have resulted but for the . . . Emergency System Condition.”

**Proposed Settlement Rules**

**DAY-AHEAD MARKET**

- The NYISO has determined that it has valid LBMPs for the Day-Ahead Market (“DA LBMPs”) during the Emergency Period. The NYISO proposes to settle the DAM for the Emergency Period using the DA LBMPs.
  - The Day-Ahead Market (“DAM”) software ran with bids as provided by MPs throughout the Emergency Period, using a grid configuration that was representative of normally scheduled transmission outages. Generating unit availability was determined, as it is under non-emergency conditions -- according to unit offers, as if the Emergency System Condition had not occurred.
  - Saturday and Sunday DA LBMPs may reflect some bidder response to the emergency. Early conclusions indicate that the DAM for Saturday and Sunday have:
    - 5000 MW less generation than the previous Saturday and Sunday DAM;

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**for discussion purposes**

- 500 – 1000 MW less import energy scheduled;
  - As a result DA LBMPs for Saturday and Sunday may be somewhat higher than they would have been but for the emergency. However, DA LBMPs for the entire Emergency Period are higher than same day averages for July and August. In addition, MMU has not identified any bid activity that evidences an attempt to exercise market power.
- Therefore, the NYISO concludes that the DA LBMPs do not deviate from those that would have been produced absent the emergency within the meaning of the TEPs.

## **REAL TIME MARKET**

- The NYISO was unable to develop RT LBMPs from HR 1600 on August 14 through the early evening of August 16. During this period neither BME nor SCD were producing normal scheduling or dispatch instructions. BME and SCD came back into normal operation in the late afternoon/early evening of August 16 at which time hour-ahead and real-time prices and schedules were produced for testing purposes only. Testing continued through HR 23 on August 17. NYISO was testing the pricing and communications software, as well as external ties capability, some of which could not be tested unless RT schedules or prices were posted. Market Participants were continually advised that the RT Market had been suspended and schedules or prices that may have been posted were for testing purposes only.
  - Market Participants were advised on August 16 that the RT market would remain suspended to HR 0 on August 18, 2003;
- The NYISO proposes to use hourly DA LBMPs as RT LBMPs for the entire Emergency Period. DA LBMPs appear to reflect, as closely as reasonably practicable, the RT LBMPs that would have resulted but for the Emergency System Condition.
- Load and generation without DA commitments that were withdrawing or injecting energy in the RT market during the Emergency Period will pay or receive the DA LBMP at their bus for all RT activity.

## **BALANCING DA COMMITMENTS AGAINST RT PERFORMANCE**

- Generation and Load with DA commitments will settle those commitments against their actual injections and withdrawals at the DA LBMPs. Thus, generators and loads will settle their obligations in the balancing market for deviations from their DA schedule in a manner that does not produce any financial exposure for the hours they were unable to fulfill their DA commitments.

## **BPCG**

- BPCG will be paid in the routine DA and RT settlement process.
  - MMU review of BPCG payments will proceed in accordance with tariff provisions.
- RT starts will be paid unless already paid with a DA start.

### **EXTRAORDINARY COSTS**

- Generators with costs of operating beyond those reflected in their bids will be asked to provide specific information on those costs to the ISO for possible reimbursement.
- NYISO staff will create a list of presumptively compensable costs in order to settle these claims expeditiously. NYISO intends to share its list of proposed reimbursable costs with jurisdictional agencies and Market Participants.
- The NYISO may need to seek special authorization to pay these costs.

### **DAY-AHEAD MARGIN PAYMENTS (“DAMP”)**

- Day-Ahead Margin Payments, under the tariff, are not available for generators forced out of service. Generators that tripped off due to the Emergency System Condition are classified as forced out and not eligible for DAMP.
  - Units with DA schedules will be paid the DA LBMP for actual injections. They will not be paid a margin for that portion of the DA schedule they were not able to fulfill because they were unable to operate.

### **ANCILLARY SERVICES**

- The NYISO proposes to pay availability payments to generators with DA ancillary services schedules
- In RT, operators used command and control – no additional RT reserves or regulation were scheduled. If a unit was needed, it was scheduled for energy.
  - For purposes of balancing DA ancillary schedules that weren’t fulfilled when units tripped off, the ISO proposes to establish RT ancillary service prices set at the DA prices.
  - No hour-ahead schedules (which include real-time ancillary service schedules) were issued until mid-evening Saturday, August 16 and then only for testing purposes.

- Total dollars payable for DA ancillaries for the entire Emergency Period are @ \$693,000.

## **TCC MARKET**

- No changes contemplated.

## **EXTERNAL TRANSACTIONS**

- All DA external transactions failed to flow in real-time (not for reasons within the control of the Market Participant) during the Emergency Period. We propose using routine settlement rules for these transactions. As with internal buses, the DA LBMPs at proxy generator buses will be used as RT LBMPs at those buses.
- No RT external transactions were scheduled.
- All interchange between the NYISO and other CAs, including Cross Sound Cable energy flows, was emergency energy. This interchange will be paid pursuant to agreements NYISO has with each neighboring CA on the exchange of emergency energy.

## **ICAP**

- No changes contemplated. Unit trips on account of the state of the transmission system are not forced outages for purposes of the EFOR-d calculation

## **BLACK START**

- Existing tariff provisions cover paying units for statewide and local black start. Implementation of local Black Start payments is currently being discussed in MP working groups and that discussion will continue as scheduled. The NYISO will facilitate identification by TOs of local units providing local Black Start, as necessary.

This approach should not be considered a template for settling the markets during any emergency circumstances other than those experienced August 14 through August 17, 2003.