

Proposed Revisions to Demand
Curve Market Rules when
Minimum Requirements
have not been Met

Presented to the
Business Issues Committee
by

Consolidate Edison Co. of New York
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Background - Capacity Rule Changes Caused by the Demand Curve

1. All participants are required to accept Demand Curve auction results.
 - When Capacity markets are long, all loads purchase excess quantities and accept the price cleared from the Demand Curve.
 - Suppliers can financially and physically withhold from the Demand Curve auction, subject to market monitoring review.
2. Proponents of the Demand Curve stated it was designed to attract new entry
 - Cost study administered by the NYISO was designed to determine the price of new entry which is then used to set the price level of the demand curve.
 - Study conducted to reset prices every three years.

Background - Current DC Tariff Rules Filed at FERC

When DC auction does not clear the minimum requirement.

1. All deficient LSEs are automatically charged a supplemental supply fee (1.5 times new GT) for all capacity below the requirement.
2. ISO will use supplemental charge to purchase capacity to meet minimum requirements from all existing qualified suppliers, including those that withheld, and pay up to the supplemental supply fee.
3. When the ISO pays less than the supplemental supply fee, it will refund all remaining monies to all NYCA LSE's through Schedule One.

Concerns of Current DC Tariff Rules Filed at FERC

1. Suppliers that withheld capacity from the DC auction would be rewarded with higher prices when market clears below minimum requirements
2. Loads, which do not bid into the DC auction, should not be harmed by the effects of supplier with holding.
3. Refunds from over-collections in one location should be returned to LSEs in that location.
4. Supplier concerns are mirrored by the NYISO Market Monitor, Dr. David B. Patton in the Supplemental Supply Fee section (42 – 45) of his Affidavit to the Tariff Provision.

Proposed Tariff Revisions

Market Rules (Section 5.14) that apply when Demand Curve auction results do not meet minimum LSE NYCA and/or locational requirements

Suppliers should not be rewarded

New suppliers should be offered incentives

LSEs should not be harmed

Resources that did not qualify, or financially or physically withheld, can offer unsold capacity and get paid at the DC price that meets the requirement

New resources and SCRs are paid up to the deficiency level

LSEs charged what NYISO paid to meet minimum requirements up to deficiency level

If resources do not exist to meet minimum requirements, deficient LSEs are charged the DC auction clearing price; ISO refunds monies to all LSEs in the locality to equalize the cost of capacity for all LSEs.

Proposed Motion for BIC

The Business Issues Committee (BIC) hereby requests that the Management Committee approve revisions to Section 5.14 of the NYISO tariff necessary to comply with the presentation made at the April 2, 2003 BIC meeting. These revisions clarify the applicable rules under the Demand Curve when the results of the Spot Market Auction do not meet the NYCA Minimum Installed Capacity Requirements or its Locational Minimum Installed Requirements.