

Proposed
Resource Demand Curves
for NYS, NYC, and LI

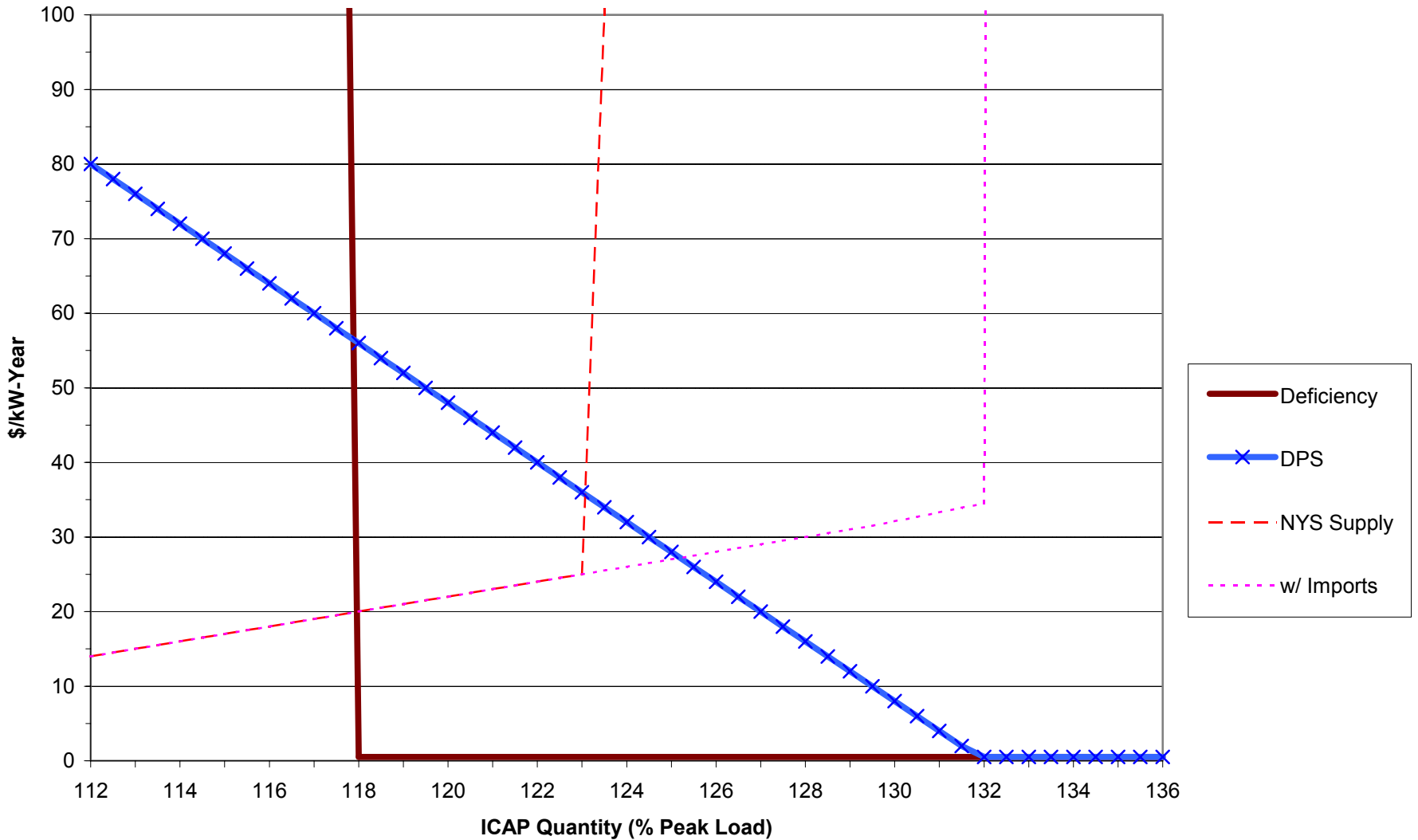
New York State
Department of Public Service
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Department of Public Service

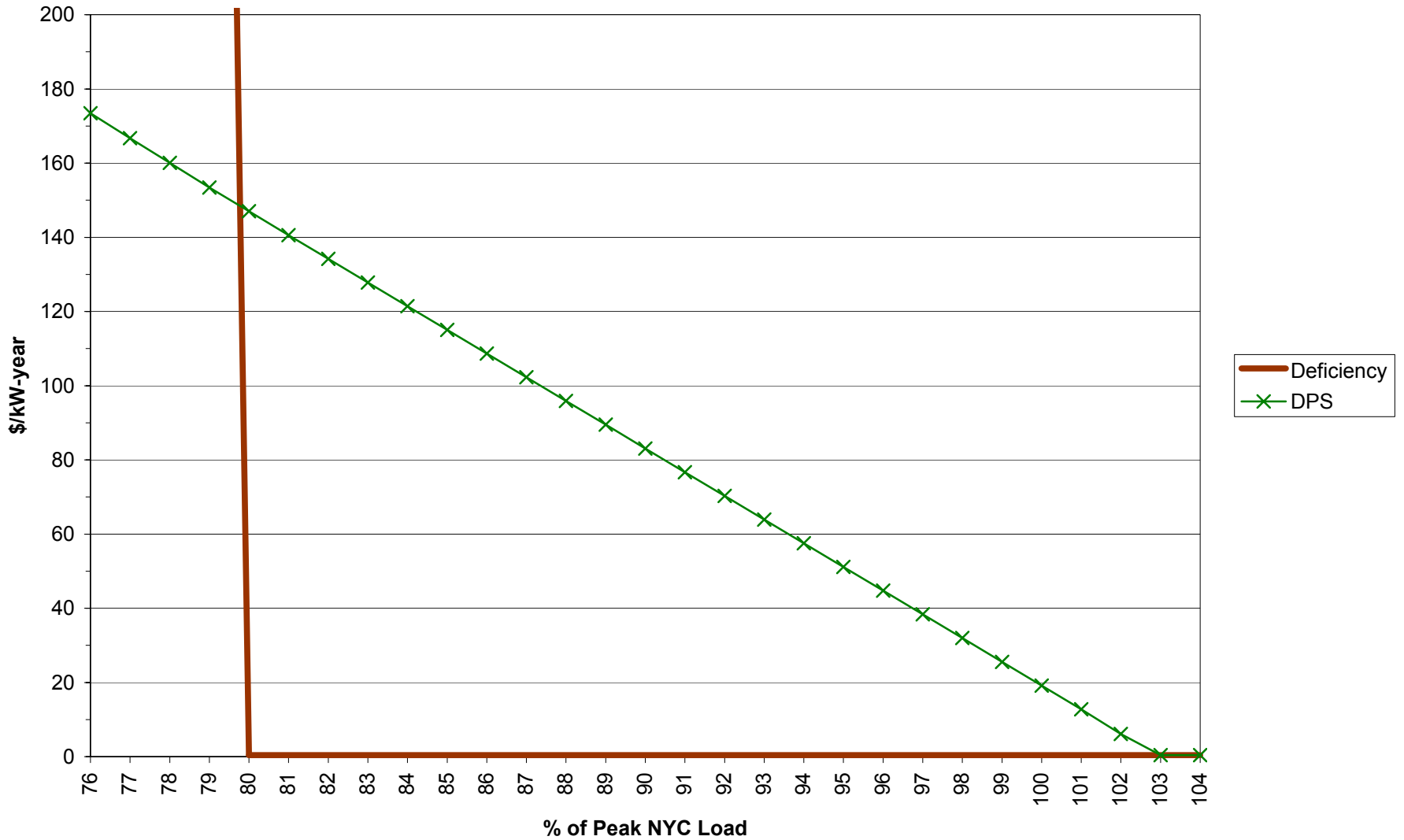
Cost of Pure Capacity Proposal

- Rest-of-State \$56 per kW-year
- Long Island \$127 per kW-year
- New York City \$147 per kW-year

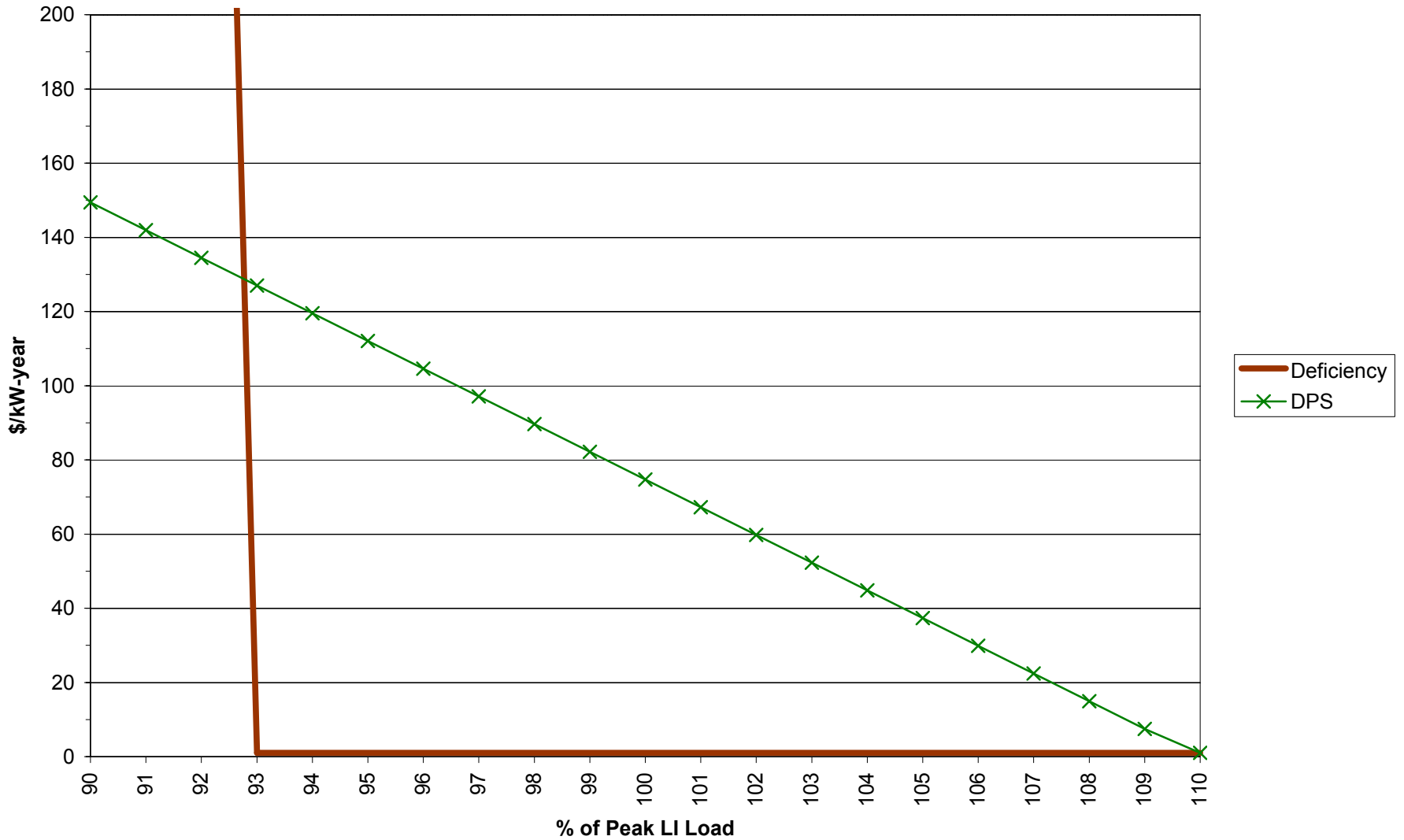
Statewide Resource Demand Curve



NYC Resource Demand Curve



LI Resource Demand Curve



Statewide Market Power Analysis

- Suppose statewide market clears at \$30 (at 124.5% of peak load) if all supply bids in.
- Supplier with 3000 MW earns \$90 million.
- Withholding 785 MW (2.5% of peak load) would drive price to \$40 (at 122%).
- Supplier sells 2215 MW at \$40, earns \$88.6 million, less than before.

NYC Market Power Analysis

- Suppose market clears at \$128 (at 83% of in-City peak load) if all supply bids in.
- Supplier with 2000 MW earns \$256 million.
- Withholding 200 MW (2% of peak load) would increase price to \$141 (at 81%).
- Supplier sells 1800 MW at \$141, earns \$253.8 million, less than before.

Auction Design

- Spot auctions replace Deficiency (and monthly?) auctions
- NYISO submits Demand Curve for all load in Spot auctions
- LSEs submit bilaterals as supply bids in Spot Auctions
- NYISO operates strip auctions as before (does not enter bids for market participants)