

# **Minimum Oil Burn Compensation Proposal Status Update**

**Market Issues Working Group**

**February 5, 2007**

# Issues Raised

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- ◆ Recovery of fixed asset costs
  - *What costs are available to be recovered in the fixed maintenance cost compensation?*
- ◆ Condition under which to calculate margin restoration payment

# Fixed Maintenance Cost Recovery

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- ◆ Provide payments to compensate units for the maintenance costs associated with providing the capability to be operated under alternative fuels or dynamic switching to alternate fuels.
  - *Limited to costs not already compensated for in other market payments.*
  - *Payment to be determined on a unit-by-unit basis as an annualized cost, paid in monthly installments.*
  - *Costs will be recovered from the local load.*

# Fixed Maintenance Cost Recovery

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- ◆ Concerns have been raised regarding the need to separately identify costs associated with the minimum oil burn requirements from those that would have been incurred regardless of the obligation
- ◆ Concerns have also been raised with regard to the need to measure opportunities afforded to units due to the oil burning capability
- ◆ Given potential diversity of unit costs, NYISO requests interested parties to submit cost categories, with supporting details, that should be reimbursed as Fixed Maintenance Cost Recovery, in order to facilitate further discussion

# Margin Restoration Payment

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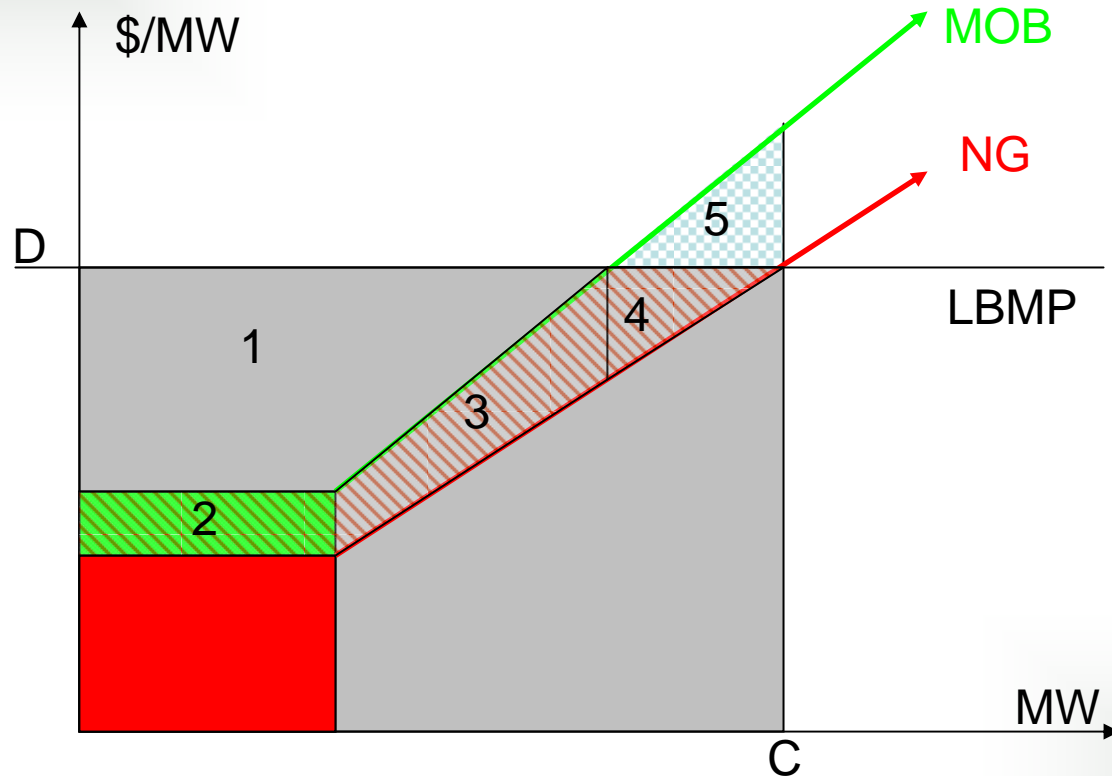
- ◆ Provide payment to unit(s) to compensate for increased costs associated with operating on a more expensive fuel.
  - *Payable only during periods of time when the unit is obligated to operate under minimum-oil burn conditions and oil is more expensive than gas.*
  - *Payment would be based upon actual incremental operating costs to comply with min oil burn obligation, to the extent they exceed economic fuel choice costs.*

# Margin Restoration Payment

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- ◆ Based upon issues raised, the following options exist for the payment:
  - *Payment limited to hours for which unit's bid reflects the minimum oil burn costs; or*
  - *Payment limited to hours for which the unit's bid reflects the most economic fuel; or*
  - *Payment made regardless of which fuel costs are reflected in unit's bid*

# Margin Restoration Payment



LBMP Revenue	Lost Margin
NG Costs	Increased Cost
Alt Fuel Costs	

DRAFT - For Discussion Only

# MOB Invocation

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- ◆ Developed Zone J forecast equivalents to ConEd territory level

<u>ConEd</u>	<u>Zone J</u>
7500	6500
9000	7800

- ◆ Return to Operating Committee to update motion to include Zone J levels



# Next Steps

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- ◆ Update Minimum Oil Burn thresholds to include Zone J triggers.
- ◆ Review requested cost components and/or opportunities afforded to be captured in the fixed maintenance cost compensation
- ◆ Collect feedback on the margin restoration payments and continue internal analysis of options