

Real Time Guarantee Payment Impact Test

NYISO Proposal to Resolve Outstanding Disputed Issues

Market Issues Working Group
February 5, 2007

Agenda

- List of Known Market Participant Concerns - Recap of prior MSWG discussions
 - *No new/additional proposals received*
 - *“Prospective” language*
 - *Real Time Guarantee Payment (RTGP) SRE/OOM reference price adjustment certainty*
 - *Notification of potential mitigation*
- Timeframes for RTGP reference price consultations
- Example of NYISO’s proposed methodology
- Review Proposed Tariff Language

List of Known Market Participant Concerns

- “Prospective Language” - NYISO’s authority to perform the RTGP Test at the end of the market day (Market Mitigation Measures §§ 4.1 and 4.2.2(d))
- RTGP reference price adjustments for SRE/OOM commitments
- Notification of potential mitigation

Prospective Mitigation – Relevant Tariff Sections

- § 4.1 of the Market Mitigation Measures provides:

If conduct is detected that meets the criteria specified in Section 3, the appropriate mitigation measure described in this Section shall be applied by the ISO. The conduct specified in Sections 3.1.1 to 3.1.3 shall be remedied by the prospective application of a default bid measure as described in Section 4.2...

- § 4.2.2(d) of the Market Mitigation Measures provides:

The ISO shall not use a default bid to determine revised market clearing prices for periods prior to the imposition of the default bid, except as may be specifically authorized by the Commission.

Prospective Mitigation – Positions

- Certain MPs argue § 4.1 of the MMM:
 - Requires the NYISO to integrate RTGP mitigation into the RTC commitment and scheduling decision process; and/or
 - Requires the NYISO to identify an instance of conduct + impact and to provide the MP an opportunity for consultation; the NYISO is then permitted to prospectively mitigate the unit.
 - ▶ *“One free bite of the apple” argument.*

- NYISO Position:
 - Bid Production Cost Guarantee (BPCG) payments are determined over a 24 hour market day. An end-of-day test is required to appropriately evaluate RTGP impact.
 - Section § 4.2.2(d) of the MMM explains that default bids (mitigation) may not be used to “retroactively” revise market clearing prices. RTGP mitigation does not revise market clearing prices. Correction before final determination of BPCGs is not “retroactive”; this has been repeatedly recognized by FERC.
 - The “one free bite of the apple” approach is not acceptable to the NYISO or the Independent Market Advisor.

Prospective Mitigation – NYISO Proposal

- The NYISO proposes to revise §§ 3.3, 4.1 and 4.2.2(d) of the MMM to eliminate the asserted ambiguity and resolve concerns identified by MPs
 - Market Clearing Prices continue to require “prospective” mitigation
 - RT BPCG payments may be mitigated in accordance with proposed new language that has been added as § 3.3.3 of the MMM
 - § 3.3.3.1 requires the NYISO to post preliminary RTGP mitigation data to DSS and to e-mail MPs regarding potential mitigation within two business days after preliminary RTGP impact test results are posted to DSS
 - Proposed § 4.2.2(d)(2) sets an explicit time limit for the NYISO’s identification of Day-Ahead BPCG mitigation issues

RTGP reference price adjustments for SRE/OOM commitments – Positions

- Certain MPs have stated that a pre-commitment to update the reference levels used in the RTGP Test to permit generators committed via SRE or OOM to recover verifiable, extraordinary costs is needed.

Previously discussed at the 7/31/06 S&P WG:

- *NYISO proposed including pre-commitment language in a Technical Bulletin.*
- *MPs raised concerns that this would not provide sufficient assurance of cost recovery.*

NYISO proposes a Tariff revision to address this concern.

RTGP reference levels for SRE/OOM generators – NYISO Proposal

NYISO Proposes addition of § 3.3.3.2 to the MMM:

- Tariff pre-commitment to update reference prices used for RTGP mitigation to include verifiable, extraordinary costs identified at the 7/31/06 S&P WG
 - As proposed by the MPs, § 3.3.3.2 includes RTGP reference price adjustments for emissions allowances
- The NYISO encourages MPs to provide notification to MMP as soon as they become aware that a reference update may be required.
 - However, due to audit concerns, the NYISO will only revise guarantee payments that have been preliminarily mitigated by the RTGP Test
 - The window for initiating consultation starts to run as soon as the RTGP Test results are posted to DSS

Notification of potential mitigation – Positions

- Certain MPs have requested notification when generators are subject to RTGP mitigation.

NYISO position as presented at the 7/31/06 S&P WG:

- The NYISO agrees to the request that it send out e-mail notices to potentially impacted entities to let them know when it has made a preliminary determination that mitigation may be appropriate based on its RTGP Test.
 - *No changes proposed.*
- In the morning, two days after the relevant operating day (on Monday if the operating day was a Thursday or Friday), the NYISO will send e-mails to the potentially impacted entity informing it of potential RTGP mitigation, asking it to review its DSS data, and inviting the entity to call MMP and consult regarding its reference levels, or to otherwise explain why its Bids were consistent with competitive behavior.
 - *Some changes—see next slide.*
- In order to implement e-mail notification, the NYISO will require all MPs to set up secure e-mail boxes to which the NYISO will send e-mails informing of potential mitigation. The NYISO is requiring the use of generic mailboxes in order to ensure that there is no “gap” in the NYISO’s ability to contact a potential mitigation candidate due to changes in organizational structure or personnel.
 - *No changes proposed but opt-out permitted.*

Notification of potential mitigation – NYISO Proposal

Proposed § 3.3.3.1 of the MMM provides:

- E-mail notification will be sent no more than two business days after preliminary mitigation data is posted to DSS.
 - This modification is designed to accommodate NYISO business processes and restoration priorities in the case of a hardware/software system failure.

Note: Market Participants must provide and maintain a valid “generic” e-mail address to which the NYISO will send mitigation notices.

- MPs opt out of receiving e-mail notification if they don’t provide a “generic” e-mail address to the NYISO.

Timeframes for RTGP reference price consultations – NYISO Proposal

- The NYISO's experience with processing the historical RTGP mitigation has demonstrated a need to specify a time by which MPs must request a RTGP reference price consultation.
 - On at least two occasions, late-submitted RTGP consultation requests have jeopardized or delayed the NYISO's ability to close-out final bills.
 - The NYISO proposes that Market Parties shall have up to 20 business days after the results of RTGP mitigation are posted to request consultation.
 - The 20 business day window for initiating consultation starts to run as soon as the RTGP Test results are posted to DSS
 - ▶ *A request for consultation must be submitted to Customer Relations once the preliminary mitigation results are posted in DSS.*
 - The Market Party shall have up to 10 additional business days to submit additional information if it is not possible to provide complete data with initial consultation request.

- The NYISO recognizes that MPs need consultations to be completed in a timely manner.
 - The NYISO proposes that it will provide a decision on RTGP consultation requests within 30 business days of the timely receipt of a complete request for consultation.

- The above requirements are set forth in proposed § 3.3.3.1 of the MMM.

Example: Impact Test Calculation

$$\text{If the } \left(\frac{\text{Original BPCG}}{\text{Reference BPCG}} \right) \geq \text{Impact Threshold}^*$$

Then the unit is subject to RTGP mitigation.

In-City Threshold = 1.5 (50% increase)

ROS Threshold = 3.0 (200% increase)

Note: The BPCG is calculated at the end of a given market day.

** See MMM § 3.2.1 (2)*

Example continued: Assumptions

Assumptions for Generator X:

- 10-Min GT
- Located In-City
- On line for the hours of 4PM and 5PM only on 3/1/07
- In-City load pocket is constrained for both hours (the most restrictive RTC or RTD constraint will be used in the calculation)
- Generator X has incremental energy (IE) and start up (SU) conduct at the In-City load pocket thresholds
- Bids:

Start Up Bids		Energy Bids	
Original	Reference	Original	Reference
\$ 350.00	\$ 130.80	\$ 260.00	\$ 169.59

Example continued: Impact Test

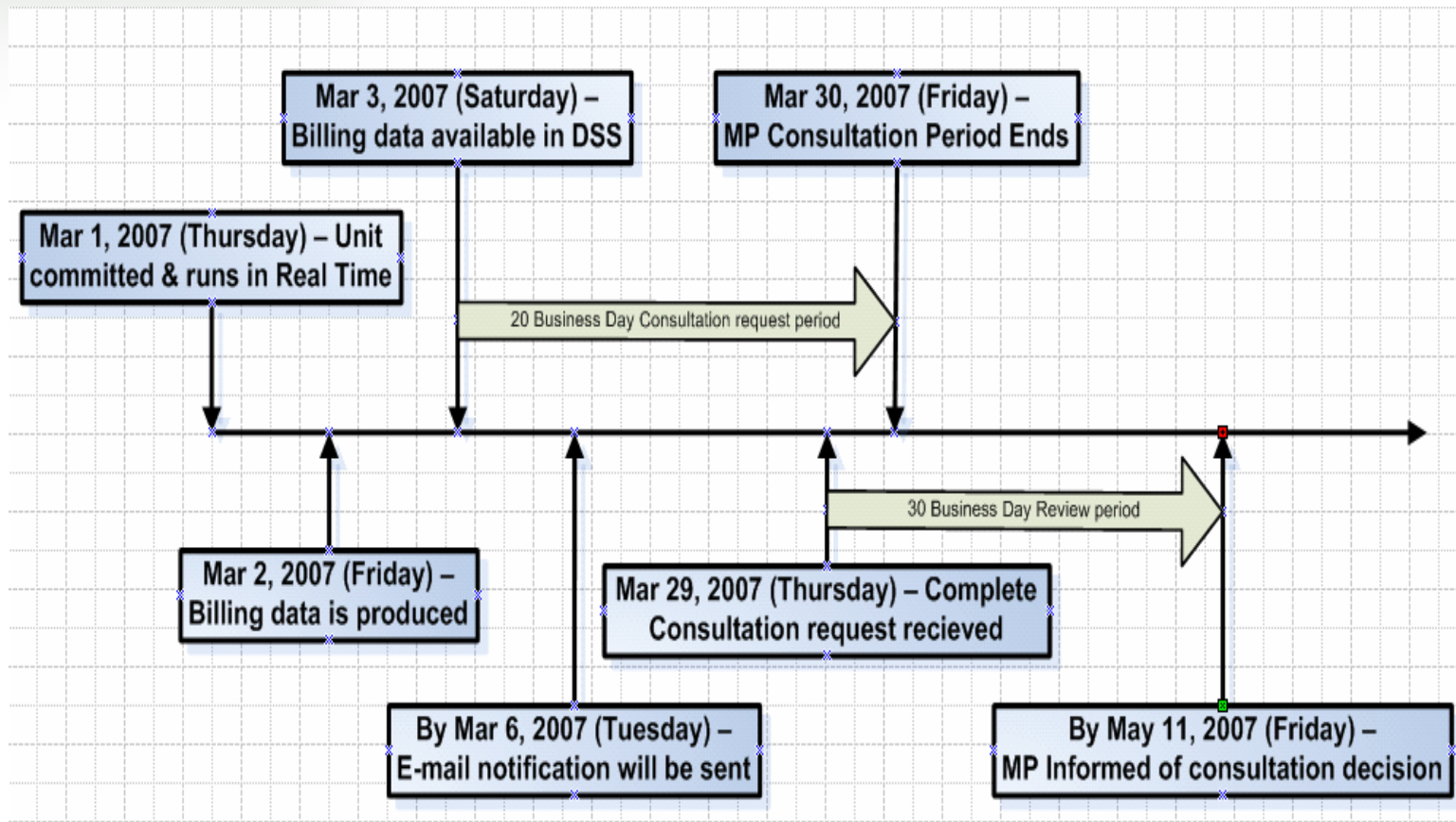
Daily BPCGs used in calculation:

As-Bid BPCG (\$)	As-Mitigated BPCG (\$)	Adjustment (\$)
1,021.27	544.77	-476.50

$$\frac{\$1021.27}{\$ 544.7} = 1.9 > \text{Impact Threshold of 1.5}$$

The generator fails the impact test. Therefore, the generator's bill will reflect a \$476.50 adjustment for the day and the As-Mitigated BPCG paid to the generator is \$544.77.

Example continued: RT BPCG Reference Level consultation Timeline



Review of Proposed Tariff Language

- Page-turner to address questions/comments regarding draft tariff language.