

John Charlton/NYISO

06/18/2004 03:41 PM

To
"Mah, Norman" <MAHN@coned.com>
Subject
Re: Additional Comments on ICAP DC study

We are currently taking these factors into account. But I must point out that need to correct the assertion that when with demand response resources are called the price will be administratively set to a minimum of \$500. Special Case Resources will be called, in order of their strike price, which is capped at \$500. EDRP may be called next at \$500. However, the LBMP will not necessarily be \$500 unless these, or higher priced resources are the actual marginal resource. Please call me with questions any of you may have...

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To
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cc
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Rebecca" <CRAFTR@coned.com>
Subject
Additional Comments on ICAP DC study

Following the May 27, 2004 ICAPWG meeting, Con Edison is sending these recommendations to both the NYISO and Levitan regarding the ICAP demand curve review.

It was apparent from the working group discussions that MarketSym alone is not capable of accurately predicting the energy and ancillary services revenues for peaking GT's. Operating hours and profits were significantly under estimated for the Rest of State, Long Island and possibly NYC markets. As discussed, additional analysis should be performed to account for these revenues and obtain a better prediction of the economic conditions facing a new generator. Adjustments should also be made in the model to account for the typical number of hours of scarcity pricing, when demand response is called and the energy price is administratively set to a minimum of \$500/MW-hr. The ICAP demand response suppliers should also be included as state resources in the model.

These changes need to be made before the consultant report is finalized. It would be inappropriate to complete the study with results that are known to be inaccurate.

Very truly yours,

Norman Mah

Consolidated Edison Company of New York, Inc.