

# NEWS RELEASE



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FOR IMMEDIATE RELEASE

## NYISO Board Adopts New Temporary Bid Cap Proposal

June 30, 2000, New York City...The Board of Directors of the New York Independent System Operator met today to consider appeals of the proposal of the NYISO's Management Committee to temporarily cap bids for energy and related services at \$1000 per Megawatt hour. Following lengthy discussion, the Board rejected the Management Committee proposal and adopted a different temporary bid cap approach. The Board also instructed staff to file for authority with the Federal Energy Regulatory Commission for immediate implementation.

After giving careful consideration to the Management Committee motion, the Board decided to reject that proposal, but reluctantly recognized that the relative youth of the New York markets warranted temporary outer bid limits. Bids in the NYISO markets will be capped until October 28, 2000, at \$1300 per megawatt hour. This figure represents the highest accepted bid that cleared in the day-ahead market from the inception of NYISO operations, rounded to the nearest \$100. Summer conditions of high temperatures and high demand were experienced on several days during that period.

NYISO Chairman of the Board Richard Grossi stated that "On previous occasions the Board has stated its reluctance to accept caps, but concluded that the approach adopted would provide balance between the interests of wholesale electric suppliers and consumers. As we discussed the Management Committee's motion, we took into account the fact that a majority of the participants had voted at the Management Committee for bid caps, and much remains to be done with respect to liquidity in the new markets. We were also mindful of the concerns of wholesale suppliers directed at the \$1000 per megawatt hour bid cap. The Board has tried to strike a careful balance between making clear our commitment to an open market, our interest in being responsive to the NYISO committee structure and a prudent concern for the untried nature of the market under conditions of stress." Grossi continued, observing that "There is currently not a sufficient opportunity for a demand response to price in the market and that is an issue that the Board will ask Market Participants and NYISO staff to address quickly. The ability of electric customers to

exercise price driven decisions to buy, coupled with bringing new generating capacity into the market, are the two most important contributing factors to greater competition. Once addressed, these two factors will have a beneficial impact on prices and the long term strength of the market.”

The Board noted that there is a need for generation siting to proceed with greater urgency to reflect the growing electric demand in New York. Grossi observed, “Incentives for transmission expansion and enhancement are another part of the reliability/markets equation that require critical attention by decision makers.”

The Board established the \$1300 limit after listening carefully to arguments by wholesale suppliers, related to the Management Committee proposal. The higher limit will maintain the attractiveness of the New York market for investment in generation and for suppliers that have the option of selling into the regional market. The Board directed staff to file with the FERC for immediate implementation and to have the new structure in place for July 7. Because of the proximity to peak summer electricity demands, which usually occur in July, the Board determined that exigent circumstances exist, and thus directed the filing without Management Committee approval. The Board also directed staff to work with market participants to develop longer term solutions.