

# NEWS RELEASE



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**FOR IMMEDIATE RELEASE**

## **New York Independent System Operator Approves Automated Process For Reviewing Supply Bids**

### **- Measure Enhances NYISO's Ability To Prevent Market Abuse -**

February 22, 2001, Guilderland, NY--The New York Independent System Operator (NYISO), the organization charged with operating the State's bulk power grid and wholesale electricity markets, announced that on February 20, 2001 the Board of Directors approved a process that will prevent market manipulation by automatically reviewing and, when necessary, mitigating improper day-ahead generator offers.

"This decision marks another step toward improving New York State's electricity markets and underscores the NYISO's commitment to ensuring that the markets function both efficiently and fairly," said William J. Museler, NYISO President and CEO. "We believe this new process is a fair way to screen for market abuse while continuing to attract new generation and building public confidence that New York's markets are the best in the nation."

Electric markets that are generally competitive may cease to be competitive for temporary periods when one or more participants have the ability to raise prices significantly by withholding capacity. Such instances occur when there 1) is very high load; 2) are excessive generator outages; or 3) transmission is constrained. Currently the NYISO has the ability to address these situations, but only manually, resulting in a one-day lag before problems can be corrected.

This automated mitigation process chosen by the Board was one of a number of market protection measures discussed by the NYISO's "Circuit Breaker" working group. Under this process, day-ahead offers will be reviewed automatically -- in real time -- using the same thresholds currently employed by the NYISO's market mitigation plan. These thresholds identify resources being improperly withheld from the market by comparing current offers with historic accepted offers, called "reference prices," that were made during competitive periods.

Specifically, offers are reviewed and mitigation occurs when two criteria are met. First, energy offers must be \$100 or 300 percent higher than the “reference price” or “start-up” prices must be 200 percent higher than the start-up cost reference. Second, the withholding behavior must increase prices by \$100 or 200 percent whichever is lower.

Mitigation is accomplished by automatically substituting reference prices for improper offers. Reference prices will be computed as specified in the mitigation plan, *i.e.*, at the lower of the mean or median of a generator’s previous 90 days’ accepted bids. Additionally, reference prices will automatically be adjusted for fuel price changes; multiple reference prices will be computed for each unit by output level; and reference prices may be manually adjusted to reflect other cost or operational characteristics.

“Our goal is to have this process in place on or before May 1, 2001 in order to protect the market going into the summer capability season,” said Museler. “We will be doing everything we can as an organization to meet this goal.”

Formed as a part of the deregulation of the New York State Electric industry, the NYISO is dedicated to the development and rapid evolution of efficient and non-discriminatory competitive power markets while maintaining superior regional reliability of the New York State power grid.