

Project Candidate Template

Instructions: Stakeholders are encouraged to present their project ideas at a stakeholder meeting and raise with their sector to get feedback on their proposal. Several BPWG meetings have been set aside at the start of the project prioritization process. The project description below is required for all project candidates to be included in the survey. Stakeholders should contact Mike DeSocio at (518) 356-7518; mdesocio@nyiso.com or Kevin Pytel at (518) 356-8892; kpytel@nyiso.com (cc Debbie Eckels deckels@nyiso.com on any email communications) to discuss any suggestions for new projects. A NYISO staff member will be assigned to work with the stakeholder on each new project request, provide assistance with completing this business case as needed, and facilitate internal discussions for the NYISO scoring and resource estimation. Please complete this template with as much information as possible.

1 Market Purchase Hub Transactions - Requested by LIPA

1.1 Problem / Opportunity

The ability for marketers to source energy from the wholesale market, i.e. buy at LBMP for sale to load or other parties is important for municipalities to take advantage of Treasury Department regulations allowing for tax advantaged prepaid energy market purchases that serve retail load, and may be valuable to a broad range of MPs for other commercial purposes. The Netting of Bilaterals (Trading Hubs) initiative was first proposed in 2008, but was limited to balanced transactions. This initiative would expand the rules to allow market purchase hub transactions. To permit these unbalanced hub transactions the project will need to address collateral, bad debt, energy imbalances, and will consider mechanisms to allow the transfer of responsibility for these requirements to the ultimate load recipient.

1.2 Project Objective(s) & Anticipated Deliverable(s)

This project will; modify zonal trading hubs in the NYISO energy market systems to provide additional flexibility in scheduling of hub transactions. Using the NYISO bidding and scheduling system, a market participant will be able to establish unbalanced transactions to purchase power from the NYISO market for ultimate delivery to a load. The market participant will be able to establish separate transactions to sell the power it purchases from the trading hub to a portfolio of load service entities that may be at different electrical locations. The purpose is to allow service to load, not virtual transactions. This project will identify tariff, software, and procedural changes needed to bring about these changes.

1.3 Project Justification

This market enhancement project can reduce costs to load by allowing financed prepayments of energy purchases, and will allow additional transactional flexibility for market participants.