

CALCULATION OF FUTURE IRMS FOR AN ANTICIPATED NYISO FORWARD CAPACITY MARKET

Study Scope

1. Background

The NYISO is considering implementation of a Forward Capacity Market (FCM). Details of such a FCM have not yet been fully defined and eventual FERC approval will be required. If such a market is approved, its implementation will require projections of future IRM requirements. The NYISO has requested the NYSRC to assist in the FCM by developing these future IRM requirements. It is intended that determination of future FCM IRMs by the NYSRC would be in addition to, and not replace NYSRC's present responsibility of preparing IRMs for the next capability period. Although it is unlikely that the NYISO will not initiate a FCM before 2010, the NYSRC has determined that it would be prudent to conduct a preliminary study in the spring of 2009 in order to test study procedures, models, time requirements, etc., before conducting a "real" FCM IRM study in 2010.

The NYSRC Executive Committee accepted an initial ICS scope of this study in April 2008. However, because of inadequate NYISO staff available to fully conduct the study as defined in this scope, it was agreed by the NYSRC and NYISO to reduce the extent of the scope by eliminating two of the three scenarios that had originally been planned, and preparing a base case only.

2. Study Purposes

The study will serve several purposes:

- Test study procedures and time requirements.
- Determine whether new models will be necessary.
- Prepare a written procedure to be used for future FCM IRM studies after completion of the preliminary study. This procedure is intended to supplement the present NYSRC Policy 5, as opposed to being part of it.
- Although the calculated base case IRM would not be utilized for the FCM, it will provide useful information as to a preliminary indication of the magnitude of future changes to the present 2009 IRM of 16.5%.

3. Study Year – 2013

4. Base Case Assumptions

- References: NYISO 2009 RNA; NYISO Gold Book (latest); NYSRC 2009 Study Base Case assumptions.

- The study will start with the NYSRC 2009 IRM Study base case assumptions. Many of these assumptions will be modified, as required, to recognize the 2013 study year and other appropriate load and capacity changes.
- The structure of the base case assumption matrix will be similar to that used in the annual IRM studies.
- Environmental regulation assumptions are critical to study results, and therefore will require thorough review by the NYISO and ICS.

5. Study Procedure

The study will start with the 2009 base case IRM model and modify assumptions as required in accordance with the Base Case Assumptions matrix developed in Item 4. Using MARS, the FCM base case IRM will be calculated using the Unified and Tan 45 methodologies described in Appendices A & B of Policy 5.

6. Sensitivities Cases

Although they may be useful, conduct of sensitivity studies may be limited by NYISO resource constraints and the ICS 2010 IRM study schedule. Of particular interest would be alternate environmental regulation scenarios.

7. FCM IRM Study Schedule

The preliminary FCM IRM study will start in February 2009 and will be completed in June 2009. A brief report will be prepared by ICS, with Executive Committee approval anticipated by July 2009.