

**New York Independent System Operator, Inc.  
Extraordinary Corrective Action 20010430**

**Temporary Extension of Currently Effective Bid Caps**

**Applicability**

This Extraordinary Corrective Action (“ECA”) shall apply to Day Ahead and Hour Ahead energy bids, minimum generation bids, decremental bids, price cap load bids and Day-Ahead sink price cap bids for all hours submitted by suppliers and dispatchable loads whether internal or external to the New York Control Area.

**Rationale**

On March 9, 2001 the NYISO made a filing requesting that the Federal Energy Regulatory Commission (“FERC”) extend its currently effective \$1,000 MW/h bid caps, which are scheduled to expire on April 30, 2001, on the energy products listed above. The filing explained that a bid cap extension was necessary because: (i) delays in New York State’s Article X process for licensing and siting new generating capacity were inhibiting supply from increasing to match demand growth; and (ii) New York state lacked proven demand-side response mechanisms that could be relied upon to permit customers to reduce demand in the face of extremely high prices, and was therefore vulnerable to inefficient price spikes. The NYISO’s filing is currently pending before FERC, which is expected to act on it shortly. .

In the time since the NYISO made its filing, the supply situation in New York State has not improved. Similarly, although FERC has approved a demand-side response mechanism for New York that is designed to preserve reliability in emergency situations, the NYISO’s proposal to permit demand to respond to market price signals, by submitting demand reduction bids, is still being reviewed by FERC. The NYISO-administered markets therefore still lack an effective demand-side response component. Moreover, May is a highly unpredictable “shoulder” month during which substantial quantities of supply are off-line for pre-summer maintenance and are therefore unavailable to meet demand spikes associated with unexpected temperature increases. In the absence of an effective demand-side response mechanism, May conditions are thus conducive to inefficient price spikes, as occurred last year on May 8<sup>th</sup> and 9<sup>th</sup>.

The NYISO has therefore concluded that the NYISO-administered markets’ vulnerability to inefficient price spikes in the absence of a bid cap constitutes a market design flaw that will “result in inefficient markets or prices that would not be produced in a workably competitive market,” which must be, and, under the current circumstances, can only be, corrected through the issuance of an ECA. In addition, a temporary extension of the NYISO’s bid cap will ensure that bidding rules in New York are consistent with those in PJM, where a permanent \$ 1,000 MW/h bid cap is in effect, and New England, where a bid cap extension request is currently pending. FERC has previously emphasized the importance of uniform bid cap policies in the Northeast.

## **Implementation**

The modifications to the NYISO's software which cause the NYISO to reject all Day Ahead and Hour Ahead energy bids, minimum generation bids, decremental bids, price cap load bids and Day-Ahead sink price cap bids greater than \$1,000 per MW/h shall be continued for ninety (90) days, or until such time as FERC issues an order on the NYISO's pending request for a bid cap extension, whichever comes sooner.

Issued 30 April 2001, 5:00 P.M.  
Effective: 1 May 2001, Operating Hour Beginning 0000

