

Conversion Transactions
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“Tracking” the Contract Path

Bilaterals

Spot Market

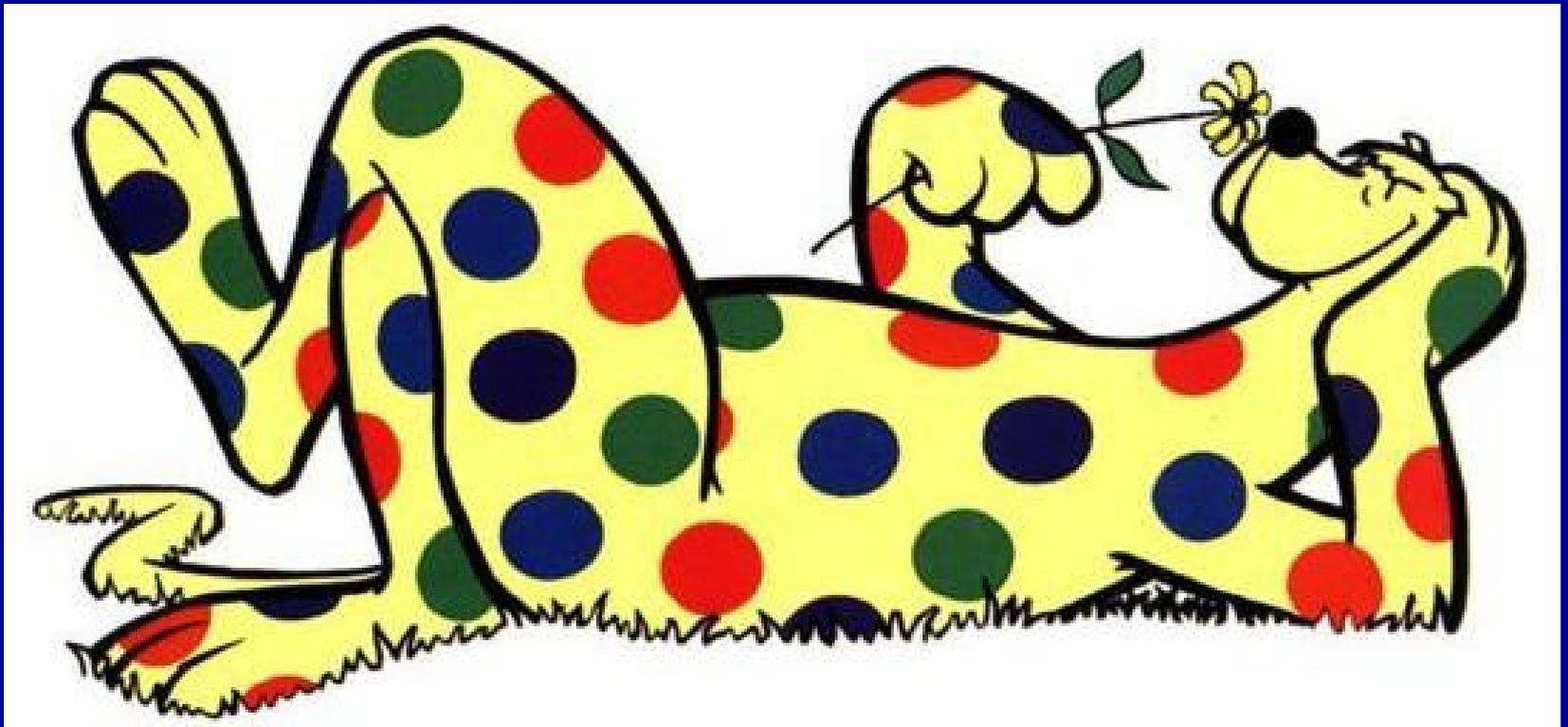
Traditional Bilateral Contracts



Bilaterals

- Direct contract between Generator & LSE
- Scheduled delivery of energy
- Transactions made in advance
- Penalty for failed delivery
- Price established by individual negotiation
- Opportunity for price premium for RE

Spot Market Purchases



Apologies to Robert Lopshire

Spot Market

- No direct contract
- Variable delivery
- Real Time Transactions
- Generally no penalty for failed delivery
- Price set at market clearing price
- No provision for RE price premium

Solutions?

- Change ISO rules
- Tagging (RECs)
- Conversion Transactions

Original Concerns About Tagging

“In God we trust, all others pay cash” Jean Shepard

- Purists targeted for price premiums
- Focus group concerns
- CALPIRG
- NAAG disclaimer

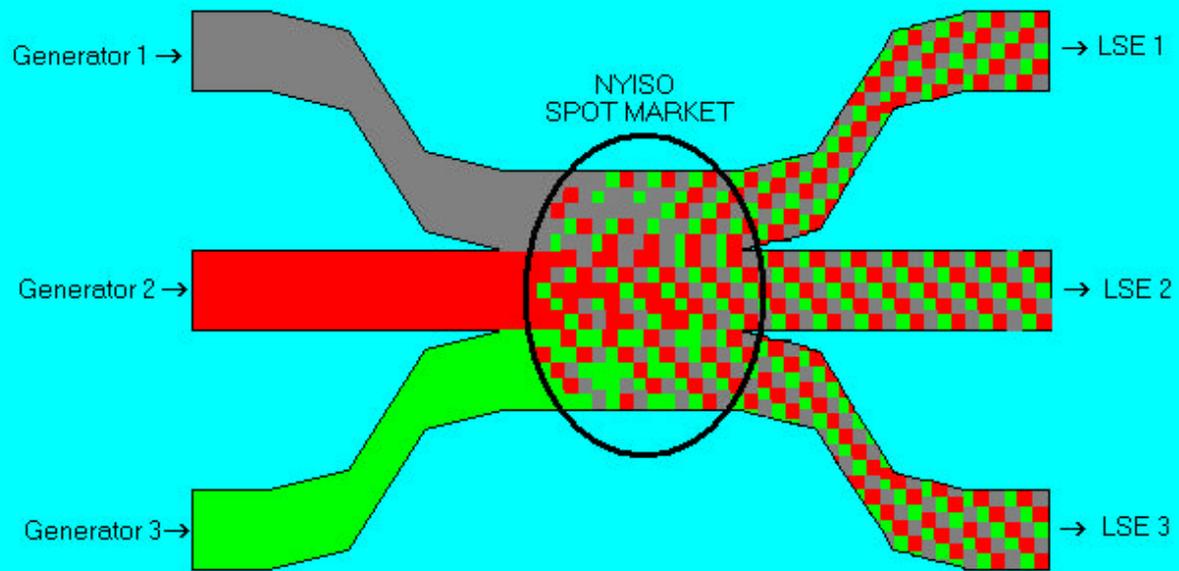
http://www.naag.org/issues/pdf/Green_Marketing_guidelines.pdf

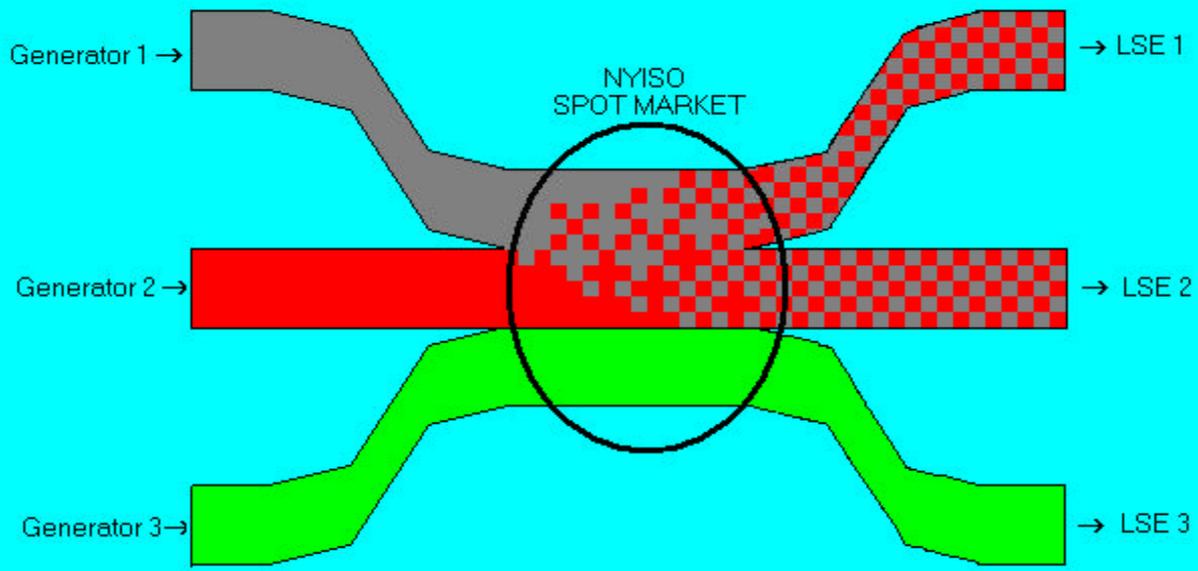
Conversion Transactions

- Innovative
- Best aspects of Bilaterals and Spot Market
- Spot Market flexibility for deliveries
- Trading on futures, realtime or post-hoc
- Preserves credibility for purists
- Opportunity for price premiums
- Quarterly Banking

Conversion Transaction Rules

- Unit-specific generation
- Delivered to NY Spot Market
- Unit-specific imports can participate
- Unit-specific exports can be certified
- Packets of generation-in matched to packets of generation-out
- Generator (or dispatcher) and LSE report matches





Benefits of Conversion Transactions

- RE price premiums paid to generators
- Small ESCOs can purchase small quantities
- Quarterly banking/borrowing
- Intermittant delivery
- PSC stands behind marketing claims
- BUT, does not support hourly GIS

Does NY need NE compatibility?

- Will NE build RE resources that might be sold in NY?
- If RPS significantly increases demand for RE in NY, will NY have enough RE to meet targets such that it can afford to export RE to NE?
- Will NE demand increase prices in NY?
- Is NE GIS truly the root of incompatibility, and does it serve a public purpose?