

Market Monitor Report

MIC

November 4, 2016

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Monitoring Analytics

Fuel Cost Policies – Penalty Gas

- **Penalties for unauthorized natural gas consumption should not be included in cost-based energy offers under fuel cost policies for gas fired generators.**
- **The purpose of such penalties is to provide an economic incentive to avoid the use of unauthorized natural gas. If generators are allowed to include such costs in energy offers, this will remove the economic incentive to maintain the reliability of the pipeline system.**

Fuel Cost Policies – Penalty Gas

- **The FERC order in NYISO (154 FERC ¶ 61,111) explicitly excluded penalty gas in the calculation of the reference levels used in NYISO energy offers.**

Fuel Cost Policies – Ratable Take Gas

- **The cost of unburned gas should not be included in cost-based energy offers under fuel cost policies for gas fired generators.**
- **The cost of unburned gas is not a short run marginal cost. This cost decreases with every additional MWh produced.**
- **Generators have different approaches to meeting their capacity obligation under the Capacity Performance rules.**

Fuel Cost Policies- Ratable Take Gas

- **If a generator chooses a higher risk and lower cost approach, the generator should bear the risk.**
- **For example, if a generator chooses to meet its Capacity Performance obligation using interruptible gas rather than firm, no-notice service or dual fuel capability, the resultant ratable take risk should not be includable in energy offers.**

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