



**OPTIONS & QUESTIONS
FROM MAY 2017 FERC CONFERENCE
ON MARKETS & STATE POLICY**

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The Issue: States subsidizing some generators & other resources. That discourages entry by others and generally reduces the profitability of those that exist.

Some RTO & FERC options for addressing the issue

- A. Status quo: Some state-subsidized resources are subject to minimum offer price rules (MOPRs) to prevent them from suppressing capacity market prices, others are not, and the boundary is subject to litigation (Arnie Quinn's #3)
- B. Give unsubsidized resources a capacity price that approximates what they would get if no resources were state-subsidized, and give state-subsidized resources a lower price (e.g. ISO-NE plan) (#2, and referred to as "accommodation" of state-subsidized resources)
- C. Apply MOPRs only to resources that receive subsidies contrary to the Hughes ruling (#1)
- D. All resources are allowed to participate in the same market and to reflect state support in their bids (#5)
- E. Set up mechanism to *achieve* state objectives: Incorporate targeted attributes (like CO₂ damages) into market (e.g. NYISO potential CO₂ adders) (#4)

Some questions we could discuss

1. Your questions
2. Should RTOs or FERC counteract the effects of state subsidies on the profits of the subsidized and/or unsubsidized resources, as some of options would do?
3. Would having one capacity market and allowing subsidized resources to reflect their subsidies in their bids discourage unsubsidized resources so much that there would ultimately not be adequate capacity? Alternatively, would it lead to an excessively high risk premium in the capacity price?
4. Should the RTOs take a position on whether bilateral capacity contracts for installed capacity should be prohibited, restricted, allowed, or encouraged?
5. Does there need to be higher or more precise pricing of additional non-environmental attributes such as availability, dispatchability, spinning reserves, ramping, voltage support, precision, speed, automatic response to frequency change, blackstart, speed of recovery from outage, outage risk correlation with other resources, or anything else?