

Comprehensive Mitigation Review: Revisions to Part A Exemption Test for Public Policy Resources

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Agenda

- Background
- The MMU's Proposed Enhancements for BSM Part A and Part B Exemption Evaluations
- NYISO Proposal
- Schedule for Next steps

Background

Background

■ Comprehensive Mitigation Review Project (CMR Project) Overview

- The project objective is:
 - Modify NYISO Installed Capacity market framework in a balanced manner that (i) preserves competitive price signals and economically efficient market outcomes required to maintain system reliability and (ii) enables the Climate Leadership and Community Protection Act (CLCPA) goals
- The project goal is to complete the study Market Design Complete in 2020
 - The Enhanced BSM Mitigation Study Period and Enhancements to the Part A Exemption Test efforts are also part of the BSM Exemption Redesign option under the CMR Project

Background cont'd

- **NYS Public Service Commission initiated Proceeding to Consider Resource Adequacy Matters (Case 19-E-0530)**
 - NYISO filed initial comments acknowledging the need to better harmonize the wholesale markets with state environmental policies, in particular those embodied in the CLCPA, while maintaining competitive price signals
 - MMU filed initial comments that described the value of the competitive wholesale market for ensuring resource adequacy in a manner that reduces costs for consumers and for integrating intermittent renewable generation and other public policy resources in an efficient and reliable manner
- **MMU Comments included various proposed enhancements to the NYISO's energy, ancillary services, and capacity markets**
 - Among other things, the MMU described the benefits of changes to the Part A Exemption Test and the Mitigation Study Period
- **NYISO is proposing to work with stakeholders to fast-track development of the MMU's proposed enhancements to the Part A Exemption Test for state-sponsored "Public Policy Resources" as an initial phase of the CMR Project because:**
 - They could practicably be developed with stakeholders and filed with FERC in the first quarter of 2020
 - They could be applied to the BSM evaluations conducted for Class Year 2019 Examined Facilities

The MMU's Proposed Enhancements

MMU's Two Pronged Proposals to Revise the Part A Exemption and Mitigation Study Period

- **Prong 1 involves changes to the Part A and Part B exemption tests such that**
 - Public Policy Resource (“PPR”) Examined Facilities would be placed in the supply stack before non-PPR Examined Facilities
 - Currently projects are placed in the supply stack from lowest to highest Unit Net CONE
 - This change will allow legitimate PPR supply resources be awarded a Part A exemption before non-PPR resources that may be less expensive but do not further the State's policy objectives
- **Prong 2 involves changes to the Part A and Part B exemption tests such that**
 - The Mitigation Study Period would be revised to apply to each project based upon the characteristics of the technology that it uses
 - Currently the Mitigation Study Period is the same three year period for all Examined Facilities
 - This is appropriate for gas-fired generators but shorter periods could be justified for other resources with shorter development timeframes, e.g., storage.
 - Part A test will be applied for each year of the Mitigation Study Period

NYISO's Perspective

- **At the December 19, 2019 ICAPWG the NYISO expressed its support for the MMU's proposal:**
 - The NYISO proposed to fast track enhancements to the Part A exemption test as part of the 2020 CMR Project
 - With the approval of CLCPA, the NYISO believes it is appropriate to acknowledge that the PPR resources are entering the market and therefore should be considered first
 - The NYISO also stated its intent to move forward with the 2020 Mitigation Study Period project on a separate track
- **The NYISO will continue to evaluate and discuss other changes with stakeholders through the CMR Project**

NYISO Proposal

NYISO Proposal

- **Revise the order of the Part A Exemption Test to precede the Part B Exemption Test**
 - Currently the NYISO conducts the Part B Exemption Test first to ensure that the most economic projects can qualify for an exemption
- **Order the Resources for the Part A Exemption Test by placing all PPR Examined Facilities before non-PPR Examined Facilities, even if the latter are lower cost**
 - PPRs will be ordered amongst themselves by Unit net CONE, from lowest to highest

Design Concepts to Consider

■ What would qualify as a PPR resource?

- A resource that is fully capable of serving electrical load in NY with zero emissions
 - Determined assuming the resource is part of a statewide zero emissions electrical system

■ Partial Exemptions for PPR resources

- With the acknowledgement that PPR resources are entering the market, the NYISO believes granting partial exemptions may be appropriate but is still determining if and how they can be implemented
 - For example: If a 100 MW PPR resource could receive an exemption for 90 MW, subject the remaining 10 MW to the Offer Floor instead of the entire facility
 - For example, should a partially exempt PPR resource be eligible for exemptions on the remainder of its non-exempt UCAP in subsequent Class Years? If so, should it be placed first in the stack or continue to be ordered by Unit net CONE?

■ Integration with Mitigation Study Period changes

- In particular, the MMU's proposal contemplates the application of the Part A test in each year of the Mitigation Study Period

Next steps/Schedule

- **The NYISO will consider feedback received from Stakeholders and continue discussions in the coming weeks**
 - Questions or comments can be sent to DEckels@nyiso.com
 - Goal is to take to a vote in February/March such that these changes could be used for the current Class Year (2019)
- **NYISO will continue Mitigation Study Period discussions on a parallel track**
- **Broader discussion on Capacity Mitigation Review will continue throughout the year**

Questions?

The Mission of the New York Independent System Operator, in collaboration with its stakeholders, is to serve the public interest and provide benefits to consumers by:

- Maintaining and enhancing regional reliability
- Operating open, fair and competitive wholesale electricity markets
- Planning the power system for the future
- Providing factual information to policy makers, stakeholders and investors in the power system



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