

2021-2025 ICAP Demand Curve Reset: Proposed Tariff Revisions for Gross CONE Adjustments

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Agenda

- Background
- **Proposal for Modifying the Calculation of the Gross Cost of New Entry (Gross CONE) Composite Escalation Factor**
- Next Steps

Background

Background

- **As part of the last reset, a comprehensive set of revisions to the process were implemented, including extending the period between resets to 4 years, implementing annual updates between resets, and revising the methodology for estimating potential net Energy and Ancillary Services revenues earned by the hypothetical peaking plants**
- **At the August 23, 2019 ICAPWG/MIWG/PRLWG meeting, stakeholders requested that identifying any proposed tariff changes occur early during the current ICAP Demand Curve reset (DCR) process**
 - At the September 5, 2019 TPAS/ICAPWG meeting, the NYISO solicited written feedback and comments from stakeholders pertaining to potential proposed tariff revisions related to the ICAP Demand Curves and DCR
 - Written feedback was requested by September 19, 2019
 - The New York Transmission Owners (NYTOs) submitted comments and proposed changes for further consideration (see link to NYTOs' comments on Slide 6)

Background

- **Among other items, the NYTOs recommended:**
 - Changes to certain technical aspects of the methodology for escalating Gross CONE as part of the annual update process
 - The Gross CONE portion of the NYTOs' comments, along with a proposal to address the NYTOs' recommendations, was discussed at three ICAPWG/MIWG/PRLWG meetings during Q4 2019

Previous Presentations & Milestones

Date	Topic	Links to materials
09-05-19	Notice of Comment Solicitation	Link to Presentation
09-19-19	Deadline for Written Feedback	Link to NYTOs' Proposed Tariff Changes Affecting ICAP Demand Curves Link to IPPNY's Comments on NYTOs' Proposed DCR Related Tariff Changes
10-28-19	Initial Discussion of the NYTO's Proposed Tariff Changes	Link to Presentation
12-05-19	Updated Gross CONE Proposal & Proposed Tariff Revisions	Link to Presentation
12-19-19	Updated Proposed Tariff Revisions & Proposed Process for Further Collar Discussions	Link to Presentation Link to Updated Proposed Tariff Revisions
01-15-19	Presentation to the Business Issues Committee	Link to Presentation Link to Proposed Tariff Revisions

Proposal for Modifying the Calculation of the Gross CONE Composite Escalation Factor

Proposed Gross CONE Escalation Factor Calculation

Methodology Changes

- **At the December 5, 2019 and December 19, 2019 ICAPWG/MIWG/PRLWG meetings, the NYISO discussed its proposal in response to the NYTOs' comments relating to the calculation methodology for the Gross CONE composite escalation factor**
 - The NYISO's proposal is to calculate the growth rate for all indices, as of October 1, as the percentage change between the most recent finalized values that correspond to the applicable annual update year and the values that correspond to the first year covered by the reset period ("baseline period") (numerical example on the following slide)
 - Proposed tariff revisions to account for this proposed methodology are posted with today's meeting materials
 - The proposed revisions are unchanged from December 19, 2019 ICAPWG/MIWG/PRLWG meeting
 - Proposed revisions to MST Section 5.14.1.2.2.1 describe the revised calculation methodology
 - Proposed revisions to MST Section 5.14.1.2.2.4.11 clarify that no changes are being made to the determination of the inflation rate used for annual adjustments applied to offer floor values for purposes of the buyer-side mitigation rules

Example of Proposed Changes

Modified Data
Unused Data

Period	Cal. Year	CY	Construction	Materials	Turbine	GDP	Formula
Reset Yr	2016	2017-2018	97,529	228	232	111.2	A
AU1	2017	2018-2019	102,788	233	224	113.0	B
AU1	2017	2018-2019	5.39%	2.41%	-3.49%	1.60%	=(B/A)-1
	Weight		28%	37%	20%	15%	
	AU1	Esc %	1.92%				

This period remains locked as the “baseline period” for measuring changes

Escalation factor is the change from the DCR year to the applicable reset or annual update year

Period	Cal. Year	CY	Construction	Materials	Turbine	GDP	Formula
Reset Yr	2016	2017-2018	97,529	228	232	105.8	C
AU1	2017	2018-2019	102,788	233	224	107.6	D
AU2	2018	2019-2020	101,108	244	219	110.3	E
AU2	2018	2019-2020	3.67%	6.92%	-5.58%	4.24%	=(E/C)-1
	Weight		28%	37%	20%	15%	
	AU2	Esc %	3.06%				

Use best available data to calculate escalation factor

Period	Cal. Year	CY	Construction	Materials	Turbine	GDP	Formula
Reset Yr	2016	2017-2018	97,529	228	232	105.7	F
AU1	2017	2018-2019	102,788	233	224	107.4	G
AU2	2018	2019-2020	101,108	244	219	110.3	H
AU3	2019	2020-2021	105,039	252	231	112.2	I
AU3	2019	2020-2021	7.70%	10.39%	-0.32%	6.18%	=(I/F)-1
	Weight		28%	37%	20%	15%	
	AU3	Esc %	6.82%				

Not used in the calculation

Next Steps

Next Steps

- **Motion on proposed revisions**
- **If approved by stakeholders, present the proposed modifications to the Board of Directors (Board) in February 2020**
 - If approved by the Board, the NYISO would seek to submit a filing to FERC in February/March 2020

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

