

Comprehensive Mitigation Review: Revisions to Part A Exemption Test

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Agenda

- **Proposal Overview**
 - Interaction with Renewable Exemption
- **Discussion**
- **Tariff Language Summary**
- **Future Discussions**
- **Stakeholder Engagement Plan**

Proposal Overview

Proposal: Overview

■ Part A: Test Structure

- Enhance the Part A Exemption Test by creating two Mitigation Study Periods (MSP) to reflect the variability of the expected In-Service dates for Examined Facilities
- Perform the Part A test for each year of the EF's MSP
- For each EF, perform the Part A test for each Locality that it is electrically located

■ Part A: Exemption & Interactions

- Grant Part A Exemptions beginning with the first year the EF passed
- Revise the order by which EFs are tested and granted exemptions under Part A
- Perform the Part A exemption test before the Part B exemption test

Proposal Overview: MSP Enhancements for Part A

Part A: Test Structure

Proposal: 2x Study Periods for Part A

- NYISO is proposing to evaluate Examined Facilities under Part A in one of two Mitigation Study Periods – “Group 1” and “Group 2”
- An Examined Facility will be evaluated in Group 2 unless:
 - It is already In-Service, or it is determined by the NYISO to be in a category of resource with a shorter construction timeline:
 - Li-ion Battery
 - Solar Photovoltaic
 - Small projects of ≤ 20 MW
 - Additional CRIS – Uprates to existing facilities
 - The NYISO may determine that an EF, despite appearing to belong to a “fast-build” category, should be evaluated as part of Group 2

Proposal: Grouping & Exceptions

- **The NYISO sought additional stakeholder comments and feedback on its proposed mechanism for determining whether an EF should be in Group 1 or Group 2**
 - EFs that despite being in a “fast-build” category, should be evaluated as part of Group 2:
 - Indicated construction timeline or COD
 - Necessary System Upgrade Facilities causing delay
 - The NYISO reasonably determines that it will not be In-Service until a date that would place it in Group 2

Proposal: Grouping & Exceptions (cont.)

- **The NYISO is proposing that the “cutoff date” for Group 1 placement be midway through the Part A MSP for Group 1**
 - That is, the last day of the second Summer Capability Period in the Group 1 MSP
- **Grouping “lockdown”**
 - In order to be practicable, the NYISO will need to make final grouping determinations for EFs some time ahead of issuing determinations
- **The NYISO proposes that final grouping determinations be made:**
 - 120 days after the ATBA lockdown of a Class Year
 - 30 days after the start of an Expedited Deliverability Study

Proposal: Test PPRs First Under Part A

- **The NYISO is proposing to revise the order in which Examined Facilities are tested under Part A**
- **For each year of the MSP(s), the Examined Facilities that qualify as PPRs will be tested before non-PPR Examined Facilities**
 - PPRs will be ordered from lowest to highest Unit Net CONE
 - Remaining non-PPR Examined Facilities will follow PPRs and be ordered from lowest to highest Unit Net CONE
- **Part A testing for a given year will be completed, for all eligible EFs, before testing begins for the subsequent year**

Proposal: Perform Part A for Each Year

- **The NYISO is proposing to perform the Part A test for each year of an EF's Part A Mitigation Study Period**
 - Each Part A test will retain its current one-year format
 - Part A will continue to compare one year of forecasted ICAP prices to the Default Net CONE for that year
 - Under the NYISO's proposal, Part A will be performed up to three times for each Examined Facility – once for each year of its Part A MSP
- **EFs in Group 1 will not be tested for a Part A exemption during years in Group 2's Part A MSP, nor will EFs in Group 2 be tested for years in Group 1's Part A MSP**

Proposal: Part A Breakout

■ Year 1

- Group 1 Public Policy Resources (in ascending order by Unit net CONE)
- Group 1 other Examined Facilities (in ascending order by Unit net CONE)

■ Year 2

- EFs exempt in Year 1 included in forecast as price-takers
- Remaining Group 1 PPRs
- Remaining Group 1 other EFs

■ Year 3

- EFs exempt in Years 1 & 2 included in forecast as price-takers
- Remaining Group 1 PPRs
- Remaining Group 1 other EFs

■ Year 4

- Group 1 EFs exempt in Years 1 - 3 included in forecast as price-takers
- Group 2 Public Policy Resources
- Group 2 Other Resources

■ Year 5

- Group 1 EFs exempt in Years 1 - 3 included in forecast as price-takers
- EFs exempt in Year 4 included in forecast as price-takers
- Remaining Group 2 PPRs
- Remaining Group 2 other EFs

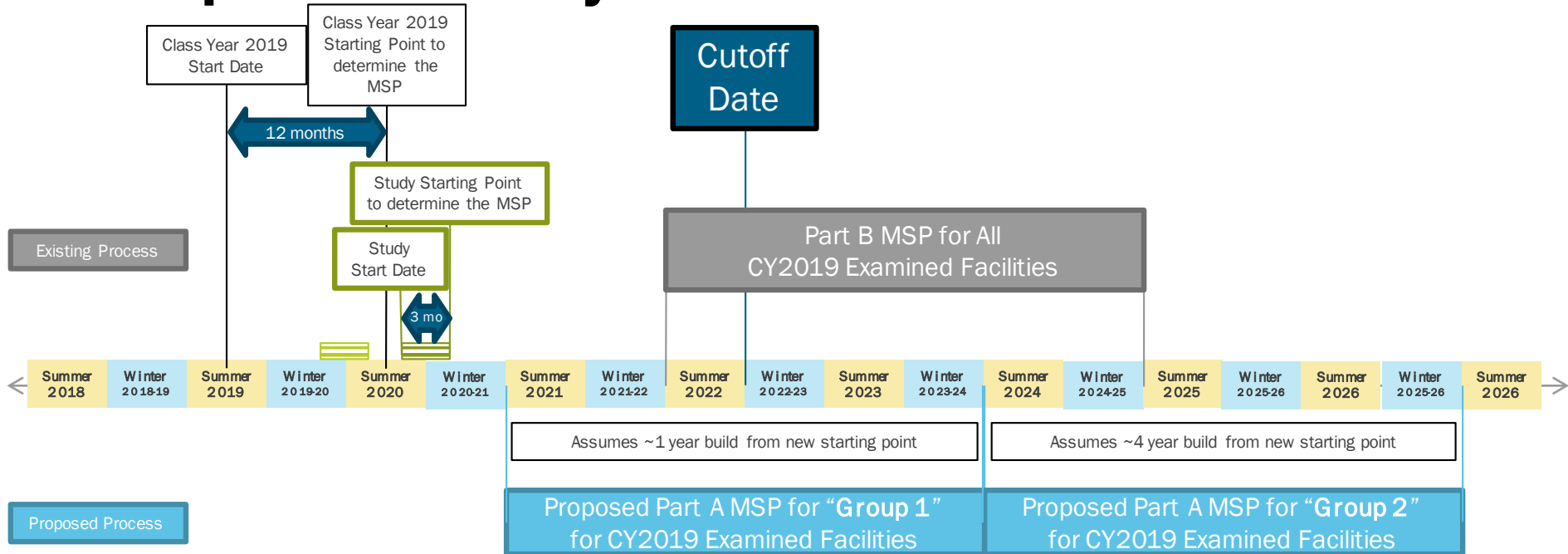
■ Year 6

- Group 1 EFs exempt in Years 1 - 3 included in forecast as price-takers
- EFs exempt in Years 4 & 5 included in forecast as price-takers
- Remaining Group 2 PPRs
- Remaining Group 2 other EFs

Proposal: Nested Localities

- **The NYISO is proposing to perform, for each Examined Facility, the Part A test is for each Locality in which it is located**
- **Part A performed for the nested locality first**
 - The NYISO compares forecasted ICAP prices to the DNC for the Locality in which the Examined Facility is located
- **Part A is then performed for the nesting locality**
 - The NYISO compares forecasted ICAP prices to the DNC for the Locality in which the Examined Facility is nested in
 - This will allow Examined Facilities to receive an exemption if the Part A test shows a market signal in any of the Localities in where they are located
 - e.g., an Examined Facility in Zone J that is not exempt under the Part A test for Zone J may still receive an exemption under the Part A test for the G-J Locality

Proposed Study Periods for Part A



The dates contained in this figure are for illustrative purposes only and do not necessarily reflect the timeframe of an ongoing study.

Part A: Exemption & Interactions

Proposal: Timed Part A Exemptions

- **The NYISO is proposing to put a timestamp on Exemptions granted under Part A**
 - Part A exemptions will go into effect starting the first year the exemption was granted
 - e.g., An Examined Facility is granted an exemption under the Part A test performed for the 2025/26 Capability Year. If it were to enter the ICAP market in October 2024, it would be subject to the Offer Floor for seven months before its exemption took effect for the 2025 Summer Capability Period

Proposal: Exemption Testing Process

- **Renewable Exemption Cap is calculated**
 - Exemptions are granted to Qualified Renewable Exemption Applicants up to the Renewable Exemption Cap based upon UCAP, and pro rated if necessary
- **The Part A test is performed for all remaining non-exempt capacity**
 - Included in forecasted supply is UCAP MW that qualified for a Renewable Exemption
- **The Part B test is performed for all remaining non-exempt capacity**
 - Included in forecasted supply is UCAP MW that qualified for a Renewable Exemption
 - Included in forecasted supply is UCAP MW that qualified for a Part A Exemption
- **Separate from this timeline, Competitive Entry Exemptions will continue to be granted to qualifying resources irrespective of the results from Part A and Part B**

Proposal: Expedited Deliverability Study Treatment

- **Under the NYISO proposal for chronological Part A testing, Examined Facilities in an EDS may “go first” and be tested before Examined Facilities in the Class Year**
 - The NYISO views this as appropriately reflecting the ‘first mover advantage’ of resources qualifying for an EDS
 - Even if they were in a Class Year, the types of resources qualifying for an EDS would likely also qualify for Group 1; thus, they would still be tested first under Part A

Interaction with Renewable Exemption

Part A: Ordering PPRs & Renewables

- **Under the as-filed Renewable Exemption rules, Renewable Exemptions are granted to Qualified Renewable Exemption Applicants that have not yet received an exemption under Part A or Part B**
 - Renewable Exemption Applicants with a Part A or Part B exemption do not count towards Renewable Exemption MW Cap
- **Under the current rules, Renewable Exemption Applicants are ordered normally (by Unit net CONE)**
 - Renewable resources are tested under Part A & Part B in the same manner as other Examined Facilities
 - There are no special assumptions made to reflect the expected Renewable Exemption status in the current BSM Forecast rules

Part A: Ordering PPRs & Renewables (cont.)

- **Some stakeholders have expressed concern that the treatment of Qualified Renewable Exemption Applicants in the Part A test could result in under-mitigation**
 - The concerns are premised on the idea that – similar to PPRs – the market entry of these resources is reasonably certain and – unlike PPRs – there is reasonable certainty that these resources will receive a Renewable exemption
- **The NYISO has modified its proposal to address these concerns**
 - Resources that qualify for a Renewable Exemption will be tested for a Renewable Exemption first prior to Part A
 - Any remaining UCAP MW of Exempt Renewable Technology that will not receive a Renewable Exemption will be evaluated as a PPR – under the proposed Part A rules

Discussion

Overview

■ Topics for further discussion:

- PPR Definition
- Tariff language
- Part A exemptions under negative outlook conditions – NYISO is not proposing any changes to its proposal at this time
- Sunset provisions – NYISO is still evaluating

Part A: PPR Definition

- **A Public Policy Resource may be defined as a resource that is fully capable of serving electrical load in NY with zero emissions from generation**
 - PPR status is determined assuming the resource is part of a statewide zero emissions electrical system
 - i.e., Energy Storage would operate with zero carbon emissions in a 100%x2040 grid of the future
 - An Examined Facility requesting a Renewable Exemption could (and likely would) also qualify as a PPR
- **Stakeholders voiced concern with the NYISO's current proposed language**

Market Services Tariff

Tariff Language Summary of MST 23.2

■ Defined

- Annual Transmission Baseline Assessment
- Part A Exemption Test
- Part A Mitigation Study Period Year 1 through 3
- Part A Mitigation Study Period Year 4 through 6
- Part B Exemption Test
- Public Policy Resource

■ Clarified Net CONE as Net Cost of New Entry

Incremental Changes in MST 23.2

- **Moved the definition of “Estimated Initial Decision Period” to it’s own definition, independent of “Initial Decision Period”**
- **Changed references to Expedited Deliverability Studies starting after August 1, 2020 to be after July 1, 2020**
 - This was in response to stakeholder feedback that the next EDS may start prior to August 1, 2020
- **Clarified the definition and references of two terms as evaluation periods, not the groups, that will be used in Part A**
 - Part A Mitigation Study Period Year 1 through 3
 - Part A Mitigation Study Period Year 4 through 6

Tariff Language Summary of MST 23.4.5.7.2

- **Added language to create a new methodology for Part A Exemption Test to exempt an Installed Capacity Supplier from an Offer Floor referenced in Section 23.4.5.7.3.1**
- **Incremental changes from 02/26 Meeting**
 - Corrected reference to Section 23.4.5.7.3.1
 - Added clarifying reference to new section
 - Removed outdated reference that is now defined in Section 23.2

Tariff Language Summary of MST 23.4.5.7.3

■ MST 23.4.5.7.3.1

- New section – outlines that the application of the new Part A Exemption Test rules
 - Incremental changes
 - Changed references to Expedited Deliverability Studies starting after August 1, 2020 to be after July 1, 2020
 - new Part A Exemption Test would be conducted prior to other tests, except section (d) which addresses the Renewable Exemption

■ MST 23.4.5.7.3.1.1

- New section regarding two groups with different evaluation periods and PPRs will be ranked first
 - Incremental change clarified that the defined terms are the evaluation period, not the groups

Tariff Language Summary of MST 23.4.5.7.3

■ MST 23.4.5.7.3.1.2

- New section regarding testing Part A for each year of the Part A Mitigation Study Period and the timing of an exemption

■ MST 23.4.5.7.3.1.3

- New section regarding how Examined Facilities are grouped and assigned a Part A Mitigation Study Period
 - Incremental change clarified that the defined terms are the evaluation period, not the groups

■ MST 23.4.5.7.3.1.4

- New section regarding NYISO's posting which Examined Facilities will be in which of the two groups
 - Incremental change clarified that the defined terms are the evaluation period, not the groups

Part A: Negative Outlook Conditions

- **Stakeholders voiced concern with granting a Part A exemption for a favorable year when it is followed by a drop in prices**
 - One such scenario could result from modeling a Prior CY Group 2 Examined Facility as entering part-way through the MSP for Group 1 in a subsequent CY
 - Another scenario contemplated negative load growth or other negative outlook
- **These concerns could be alleviated in a number of ways**
 - Multi-year testing
 - Testing using a multi-year average has issues; exemptions might be granted too early
 - Could alternatively require that an EF pass an additional year, years, or all years following the first year it passes
 - Assumptions for Prior CY Examined Facilities in subsequent Class Years
 - Does not address all possible drivers of negative outlook
- **The NYISO believes there are important considerations that counter-balance concerns, and is not proposing any changes to its proposal**
 - Forecast uncertainty increases rapidly farther into the future, which calls into question whether a negative outlook can be considered a sufficient condition to deny an exemption
 - It is difficult to justify not granting an exemption in one year because of a failure in a later forecast year with greater uncertainty

Future Discussions

Comprehensive Mitigation Review Project (CMR Project) Overview

- **The project goal is Market Design Complete in 2020**
 - The Enhanced BSM Mitigation Study Period and Revisions to the Part A Exemption Test efforts are part of the BSM Exemption Redesign option under the CMR Project
- **Discussions will continue throughout the year**
 - These may include the various complexities stakeholders and the NYISO have raised about MSP enhancements
 - A comprehensive set of enhancements may be discussed for implementation in the near future

Enhanced BSM Mitigation Study Period

Project Overview

- **2020 Project Deliverable: Q3 2020 – Market Design Complete**
- **Project Description:**
 - The NYISO will examine what, if any enhancements can be made to the existing timelines assumptions to more appropriately evaluate projects, with the objective of improving the accuracy of BSM determinations

Stakeholder Engagement Plan

Stakeholder Engagement Plan

- The NYISO will consider feedback received from Stakeholders and continue discussions
- The NYISO's goal is to propose a BIC and MC vote on April 8th and 15th, respectively, such that these changes could be used for the current ongoing Class Year (2019)
- Broader discussion on Comprehensive Mitigation Review will continue throughout the year
- Stakeholders may provide additional comments in writing to deckels@nyiso.com

Previous Presentations

Date	Material	Link to Material
12/19/19	Presentation	Comprehensive Mitigation Review: Revisions to Part A Exemption Test for Public Policy Resources
01/13/20	Presentation	Comprehensive Mitigation Review: Revisions to Part A Exemption Test for Public Policy Resources
02/04/20	Presentation	Comprehensive Mitigation Review: Revisions to Part A Exemption Test
02/19/20	Presentation	Comprehensive Mitigation Review: Revisions to Part A Exemption Test
2/26/20	Tariff	MST 23.2
2/26/20	Tariff	MST 23.4.5.7.2
2/26/20	Tariff	MST 23.4.5.7.3

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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



Questions?