

Comprehensive Mitigation Review: Revisions to Part A Exemption Test

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Agenda

- **Background**
- **Proposal Overview**
- **Tariff Language Summary**
- **Future Discussions**
- **Next Steps**

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
- **NYISO has been working with stakeholders to fast-track development of the MMU's proposed enhancements to the Part A Exemption Test and Enhancements to the Mitigation Study Period as an initial phase of the CMR Project**

Fast-track Development

- **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

MMU's Proposal 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 (“EFs”) 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
 - Conduct the Part A test using each year of the Mitigation Study Period

NYISO's Perspective

- **The NYISO believes there is merit in the MMU's recommendation and recognizes numerous complications and issues to be addressed with stakeholders**
- **The NYISO has developed a proposal and sought stakeholder comments**
 - The proposal incorporates revisions to the ordering of the Part A test that utilizes two Mitigation Study Periods (MSP), which the NYISO believes could be implemented for CY2019 while minimizing the risk of delaying the CY
 - These enhancements would also apply to Expedited Deliverability Studies and Additional SDU Studies

Proposal Overview

Proposal: Overview

■ Part A: Test Structure

- Enhance the Part A Exemption Test by creating two Mitigation Study Periods 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

Part A: Test Structure

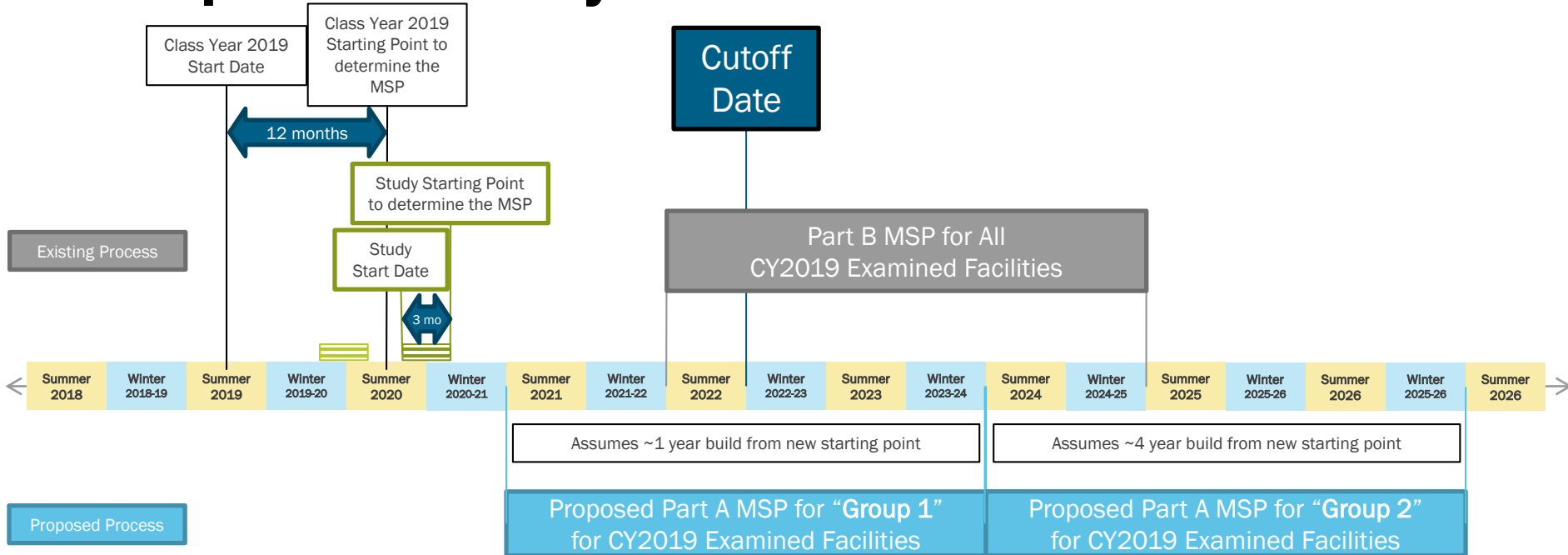
Proposal: 2x Study Periods for Part A

- **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 $\leq 20\text{MW}$
 - 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 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 is proposing 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

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.

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
 - PPRs are defined as an Energy Storage Resource or Intermittent Power Resource
 - 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: Nested Localities

- **The NYISO is proposing to perform, for each Examined Facility, the Part A test 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

Proposal: Part A Breakout

- **EFs exempt by Renewable Exemption included in forecast as price-takers**
- **Year 1**
 - Group 1 Public Policy Resources (in ascending order by Unit Net CONE)
 - Tested in J
 - Tested in G-J
 - Group 1 non-PPR EFs (in ascending order by Unit Net CONE)
 - Tested in J
 - Tested in G-J
- **Year 2**
 - EFs exempt in Year 1 included in forecast as price-takers
 - Remaining Group 1 PPRs
 - Tested in J
 - Tested in G-J
 - Remaining Group 1 non-PPR EFs
 - Tested in J
 - Tested in G-J
- **Year 3**
 - EFs exempt in Years 1 & 2 included in forecast as price-takers
 - Remaining Group 1 PPRs
 - Tested in J
 - Tested in G-J
 - Remaining Group 1 non-PPR EFs
 - Tested in J
 - Tested in G-J
- **Year 4**
 - Group 1 EFs exempt in Years 1 - 3 included in forecast as price-takers
 - Group 2 Public Policy Resources
 - Tested in J
 - Tested in G-J
 - Group 2 non-PPR EFs
 - Tested in J
 - Tested in G-J
- **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
 - Tested in J
 - Tested in G-J
 - Remaining Group 2 non-PPR EFs
 - Tested in J
 - Tested in G-J
- **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
 - Tested in J
 - Tested in G-J
 - Remaining Group 2 non-PPR EFs
 - Tested in J
 - Tested in G-J

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 Limit based upon UCAP, and pro rated if necessary (pending FERC acceptance of the compliance filing)
- **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**

Proposal: Ordering PPRs & Renewables

- **Resources that qualify for a Renewable Exemption (Qualified Renewable Exemption Applicants) will be tested for a Renewable Exemption first prior to Part A**
 - The UCAP MW of Qualified Renewable Exemption Applicants that receive a Renewable Exemption would be included in forecast as price-takers for subsequent tests
- **Any remaining UCAP MW of Qualified Renewable Exemption Applicants that do not receive a Renewable Exemption will be evaluated as a PPR – under the proposed Part A rules**
 - Similar to PPRs – the market entry of these resources is reasonably certain
 - Unlike PPRs – there is reasonable certainty that these resources will receive a Renewable exemption

Proposal: Expedited Deliverability Study (“EDS”) Treatment

- **The NYISO is proposing no changes for Examined Facilities in an EDS that completes prior to the 2019 Class Year completion**
- **EFs in an EDS “go first” and will be tested for a Part A Exemption before Examined Facilities in the ongoing 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

Tariff Language Summary

Tariff Language Summary of MST 23.2

■ Defined

- Annual Transmission Baseline Assessment
- Estimated Initial Decision Period
- Part A Exemption
- Part A Exemption Test
- Part A Group 1 Examined Facilities
- Part A Group 2 Examined Facilities
- Part A Mitigation Study Period Years 1 through 3
- Part A Mitigation Study Period Years 4 through 6
- Part B Exemption Test
- Public Policy Resource

■ Clarified Net CONE as Net Cost of New Entry

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
- Added reference to referenced in Section 23.4.5.7.3.1
- Added language to clarify that EFs that pass both Part A and Part B Exemption Tests will be awarded a Part B but still included in the prior Part A test assumptions to ensure EFs are not receiving the same Part A Exemption
- Removed outdated reference to Section 23.4.5.7.3 that is now defined in Section 23.2
- Ministerial revisions to correct typographical errors

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 that will apply to the 2019 Class Year Study, and any subsequent Class Year Study, Additional SDU Study, and Expedited Deliverability Study starting after July 1, 2020
- New Part A Exemption Test would be conducted prior to other tests, except section (d) which addresses the Renewable Exemption
- Part A Exempt Test is conducted for the New York City Locality and then G-J Locality

■ MST 23.4.5.7.3.1.1

- New section regarding two groups with different evaluation periods and PPRs will be ranked first

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

■ 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

Future Discussions

Comprehensive Mitigation Review Project (CMR Project) Overview

- **The project goal is Market Design Complete in 2020**
 - The revisions to the Part A Exemption Test efforts are part of the BSM Enhancements option under the CMR Project
- **Discussions will continue throughout the year**
 - These will include concepts such as Available Capacity Transfers (ACT) and possibly other ideas

Enhanced BSM Mitigation Study Period Project

- This market design improves the timelines for evaluating projects and accuracy of BSM determinations
- The NYISO will continue consideration and, if appropriate, may revisit discussions that may address the various complexities raised about broader MSP enhancements

Next Steps

Next Steps

- A BIC vote today, April 8, 2020
- A MC vote on April 15, 2020
- Board of Directors action
- Filing with FERC, 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

Sunset Provision

- Stakeholders have repeatedly expressed concern that the proposal should have a sunset provision
- The NYISO has not identified a need for a sunset provision on this proposal

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 , MST 23.4.5.7.2 , MST 23.4.5.7.3
3/18/20	Presentation	Comprehensive Mitigation Review: Revisions to Part A Exemption Test
3/18/20	Tariff	MST 23.2 , MST 23.4.5.7.2 , MST 23.4.5.7.3
3/30/20	Tariff	MST 23.2 , MST 23.4.5.7.2 , MST 23.4.5.7.3

Our mission, in collaboration with our stakeholders, is to serve the public interest and provide benefit 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 policymakers, stakeholders and investors in the power system



Questions?