

Reserving Capacity for TCC Balance-of-Period Auctions

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Agenda

- **Project Overview**
- **Proposal**
 - Amount of transmission capacity reserved for Balance-of-Period (BoP) Auctions
 - Distribution of the reserved transmission capacity among BoP Auctions
 - Release of Existing Transmission Capacity for Native Load (ETCNL) and sale of Original Residual TCCs
- **Other Considerations**
- **Next Steps**

Overview

- **NYISO's tariffs require that all transmission capacity not associated with Grandfathered Rights or outstanding TCCs and not reserved through conversion of ETCNL to ETCNL TCCs or Residual Capacity Reservation Rights (RCRR) to RCRR TCCs be made available for sale in the Centralized TCC Auctions**
 - This may significantly limit the opportunity for Market Participants (MPs) to acquire shorter-term TCCs in BoP Auctions
 - Other ISO/RTOs reserve some portion of transmission capacity for sale in their monthly Financial Transmission Right auctions
- **This project was created to develop a market design that accommodates the reservation of a portion of otherwise available transmission capacity for release in the BoP Auctions**
- **2020 Project Milestone: Market Design Complete by September 30, 2020**

Overview (cont.)

- **The proposed market design is intended to:**
 - Provide additional opportunities for interested parties to obtain shorter-duration TCCs
 - Address stakeholder requests for such enhancements to the current TCC auction design
 - Auction participants have indicated interest in reserving transfer capability for release in BoP Auctions in surveys preceding each of the Centralized TCC Auctions for several years
 - 75% of the Autumn 2020 Centralized TCC Auction survey responses expressed interest in reserving transmission capacity to support the sale of TCCs in BoP Auctions

Proposal – Capacity Reserved for BoP Auctions

- The NYISO proposes that the maximum allowable amount of transmission capacity that may be reserved from a Centralized TCC Auction for BoP Auctions be specified in the tariff
 - Proposed Maximum = x% (10% was assumed for the remainder of this presentation)
- The NYISO proposes to poll MPs regarding their preferred amount of transmission capacity to be reserved for the BoP Auctions of a given Capability Period as part of the normal TCC auction survey process
- Consistent with decisions related to the amount of transmission capacity supporting TCCs of various durations and percentage of transmission capacity made available in each auction round, the NYISO proposes that it retain authority to determine the amount of transmission capacity to be reserved for the BoP Auctions as informed by consideration of the survey responses

Proposal – Capacity Distribution in BoP Auctions

- Every BoP Auction includes an opportunity to purchase TCCs in each month remaining in the Capability Period
- If all of the transmission capacity reserved for the BoP Auctions was made available for purchase in all months of the first BoP Auction of a Capability Period, then no transmission capacity would be reserved for any of the remaining BoP Auctions of that Capability Period
- The NYISO proposes to retain authority to determine the amount of reserved transmission capacity released in each month of each BoP Auction (“transmission capacity distribution”) to facilitate releasing a portion of the reserved in each BoP Auction
- The following slides provide examples of several potential transmission capacity distributions
 - All examples are for the distribution of transmission capacity among the six BoP Auctions for the Summer 2022 Capability Period assuming 10% of the otherwise available transmission capacity reserved from the Spring 2022 Centralized TCC Auction

Distribution – Example #1

- All reserved transmission capacity made available in the prompt month; no reserved transmission capacity made available in the remaining months
 - Inventory scaled up to reserve transmission capacity in the remaining months

| Auction | Capacity Made Available in Month | | | | | |
|--------------------|----------------------------------|----------|----------|----------|----------|----------|
| | May 2022 | Jun 2022 | Jul 2022 | Aug 2022 | Sep 2022 | Oct 2022 |
| May 2022 BoP | 10% | 0% | 0% | 0% | 0% | 0% |
| June 2022 BoP | | 10% | 0% | 0% | 0% | 0% |
| July 2022 BoP | | | 10% | 0% | 0% | 0% |
| August 2022 BoP | | | | 10% | 0% | 0% |
| September 2022 BoP | | | | | 10% | 0% |
| October 2022 BoP | | | | | | 10% |

Distribution – Example #2

- A limited, consistent amount of reserved transmission capacity made available in the remaining months
- Remainder of reserved transmission capacity made available in the prompt month

| Auction | Capacity Made Available in Month | | | | | |
|--------------------|----------------------------------|----------|----------|----------|----------|----------|
| | May 2022 | Jun 2022 | Jul 2022 | Aug 2022 | Sep 2022 | Oct 2022 |
| May 2022 BoP | 10% | 1% | 1% | 1% | 1% | 1% |
| June 2022 BoP | | 9% | 1% | 1% | 1% | 1% |
| July 2022 BoP | | | 8% | 1% | 1% | 1% |
| August 2022 BoP | | | | 7% | 1% | 1% |
| September 2022 BoP | | | | | 6% | 1% |
| October 2022 BoP | | | | | | 5% |

Distribution – Example #3

- Reserved transmission capacity made available in each month is equally divided among each opportunity to purchase that month in the BoP Auctions

| Auction | Capacity Made Available in Month | | | | | |
|--------------------|----------------------------------|----------|------------------|----------|----------|------------------|
| | May 2022 | Jun 2022 | Jul 2022 | Aug 2022 | Sep 2022 | Oct 2022 |
| May 2022 BoP | 10% | 5% | $3\frac{1}{3}\%$ | 2.5% | 2% | $1\frac{2}{3}\%$ |
| June 2022 BoP | | 5% | $3\frac{1}{3}\%$ | 2.5% | 2% | $1\frac{2}{3}\%$ |
| July 2022 BoP | | | $3\frac{1}{3}\%$ | 2.5% | 2% | $1\frac{2}{3}\%$ |
| August 2022 BoP | | | | 2.5% | 2% | $1\frac{2}{3}\%$ |
| September 2022 BoP | | | | | 2% | $1\frac{2}{3}\%$ |
| October 2022 BoP | | | | | | $1\frac{2}{3}\%$ |

Distribution – Example #4

- Reserved transmission capacity made available in each month is divided among all opportunities to purchase that month in the BoP Auctions, but with the amount made available increasing with each opportunity

| Auction | Capacity Made Available in Month | | | | | |
|--------------------|----------------------------------|------------------|------------------|----------|------------------|--------------------|
| | May 2022 | Jun 2022 | Jul 2022 | Aug 2022 | Sep 2022 | Oct 2022 |
| May 2022 BoP | 10% | $3\frac{1}{3}\%$ | $1\frac{2}{3}\%$ | 1% | $\frac{2}{3}\%$ | $\frac{10}{21}\%$ |
| June 2022 BoP | | $6\frac{2}{3}\%$ | $3\frac{1}{3}\%$ | 2% | $1\frac{1}{3}\%$ | $\frac{20}{21}\%$ |
| July 2022 BoP | | | 5% | 3% | 2% | $1\frac{3}{7}\%$ |
| August 2022 BoP | | | | 4% | $2\frac{2}{3}\%$ | $1\frac{19}{21}\%$ |
| September 2022 BoP | | | | | $3\frac{1}{3}\%$ | $2\frac{8}{21}\%$ |
| October 2022 BoP | | | | | | $2\frac{6}{7}\%$ |

ETCNL and Original Residual TCCs

- **The NYISO proposes to make the transmission capacity associated with ETCNL and Original Residual TCCs available to support the purchase of TCCs in the same proportion(s) as the Residual Transmission Capacity that is reserved for release in BoP Auctions**
- **Due to the release of ETCNL and Original Residual TCCs in BoP Auctions, the following will require process and potentially corresponding tariff adjustments:**
 - Allocation of revenue from the sale of Original Residual TCCs
 - Allocation of revenue from the release of ETCNL
 - Calculation of Net Auction Revenue
 - Allocation of Net Auction Revenue (both Facility Flow-Based Methodology and negative Net Auction Revenue coefficients)
 - Calculation of Day-Ahead Market Net Congestion Rent allocation factors

Other Considerations

- **Impact of modeled transmission outages on the feasibility of ETCNL**
 - Also, the related impact on Auction Revenue Shortfall Charges and Surplus Payments
- **Incremental TCC evaluations**
 - Currently, the models from recently completed Centralized TCC Auctions are used in evaluating requests for Incremental TCCs

Next Steps

- The NYISO is seeking any additional stakeholder feedback on today's presentation by July 10, 2020
- Additional MIWG discussions
- BIC – Q4 2020

Questions/Feedback?

- Email additional feedback to: deckels@nyiso.com

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