

Renewables and Self Supply Compliance Filing

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ICAP WG

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Background

- ◆ **Commission’s October 9, 2015 order (EL15-64) directed the NYISO to revise the buyer-side capacity market power mitigation measures (“BSM Rules”) to exempt certain narrowly defined renewable and self-supply resources from Offer Floor mitigation.**
- ◆ **The Commission concluded that applying buyer-side mitigation measures to such resources was unnecessary to the extent that they have “limited or no incentive and ability to exercise buyer-side market power to artificially suppress ICAP market prices.” (¶10).**
- ◆ **The Commission indicated it “expect[s] NYISO to work with its stakeholders in developing this compliance filing.”(¶10)**

Schedule and timeline

- ◆ **The compliance filing is due January 7, 2016.**
- ◆ **Proposed stakeholder meetings:**
 - *ICAP WG November 18, 2015*
 - *Joint MIWG & ICAP WG December 2, 2015*
 - *ICAP WG December 16, 2015*

Renewables Exemption

- ◆ ... A renewable resources exemption in NYISO should be limited to renewable resources that are both purely intermittent and that have relatively low capacity factors and high development costs because these resources have limited or no incentive and ability to artificially suppress capacity prices. In addition, the exemption should limit the total amount of such renewable resources—in the form of a megawatt cap—that may receive the exemption, to further limit any risk that these exempted resources will impact NYISO’s ICAP market prices. ... (§51)

Renewables Exemption

- ◆ Questions to consider when limiting the total amount of renewable resources that receive the exemption:
 - *Should the MW cap be by Class Year, by year of expected entry (if so, established at what time,) or a running total?*
 - *What should the cap be based on?*
 - *ISO NE based its cap on projected load growth*
 - How would that work with changing load growth expectations?
What load growth to use? Mitigated Capacity Zone? NYCA?
 - *Other methods or considerations?*
 - *The interconnection queue has 23 wind projects with an average size of 111MW maximum summer MW electrical output (minimum 10MW and maximum size of 304 MW).*
- ◆ The NYSIO is seeking stakeholder input on these questions, and whether there are other items to consider.

Self Supply Exemption

- ◆ *... The self-supply exemption we direct here must be limited to load serving entities whose ICAP portfolios are consistent with reasonably anticipated levels of their future ICAP obligations.... [T]he net-short and net-long thresholds should be tight enough to prevent a load serving entity from being able to deliberately overpay for a resource in an attempt to manipulate ICAP market prices in a way that benefits the load serving entity's other purchases from the ICAP market (§61, footnotes omitted))*

Self Supply Exemption

- ◆ *... NYISO should consider other appropriate limitations to the self-supply exemption, including barring from the exemption a “project that has cost or revenue advantages ‘that are irregular or anomalous, that do not reflect arms-length transactions, or that are not in the ordinary course of the self-supply [load serving entity’s] business,’” and excluding from eligibility a load serving entity that “has an arrangement for any payments or subsidies that are specifically tied to the [load serving entity] clearing its project in [NYISO’s ICAP market], or to the construction of its project.” (¶61, footnotes omitted)*
- ◆ *The Commission also ruled that the exemption:*
 - *should not be available to “load serving entities that have divested substantially all of their capacity resources.”*
 - *“would need to include rules addressing bilateral power purchase agreements.” (¶65, footnotes omitted.)*

Self Supply Exemption

- ◆ Possible approaches
 - *PJM approach*
 - The maximum net short threshold is dependent on the type of Self-Supply LSE.
 - The maximum net long thresholds are based on individual LSE capacity obligations (calculated on a three year average basis)
 - *Calculated*
 - The Complainants' proposed a method to calculate an LSE specific net short threshold (see Mike Cadwalader's Exhibit B to the Complaint EL15-64)
 - *Other approaches?*

Self Supply Exemption

◆ Seeking input from stakeholders

- *Should the thresholds be pre-established/set now, set (reset) in advance of a date parameter, or calculated when the specific entity requesting the exemption based on factors established now?*
 - **If set in advance, how frequently should they be adjusted?**
- *How should net short positions be calculated?*
- *How should net long positions be calculated?*
- *How to account for bilateral contracts when calculating net short and/or net long positions?*
- *What other items should be considered?*

Next steps

- ◆ **Soliciting stakeholder feedback**
 - *At this meeting, in writing (sent to deckels@nyiso.com) or by scheduling a call (by contacting Nicole Bouchez nbouchez@nyiso.com) by November 20, if possible.*
- ◆ **Next meeting will be December 2. The NYISO will present its proposed approach and seeking further stakeholder input.**

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