

Changes to the Reference Level Manual & MST Attachment H

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Reason For Returning to MIWG

- ♦ **Some stakeholders requested additional time to review and discuss the proposed changes so the NYISO agreed to delay the July 15 BIC vote until the August 12 BIC.**
- ♦ **The NYISO also agreed to return the proposed changes to this MIWG session.**
- ♦ **NYISO has already gone through the presentation with stakeholders several times at MIWG. NYISO requests stakeholders offer their concerns and any proposed manual or tariff revisions at this MIWG session.**

Proposed Changes to the Reference Level Manual

- ◆ 6.3.1: Documentation Needed to Assert Higher Fuel Commodity Cost
- ◆ 6.3.2 : Bidding, fuel procurement and reference updates in the presence of gas balancing costs or Operational Flow Orders
- ◆ 6.3.3: MMA Evaluation of Gas-fired Generators' Fuel Cost Updates
- ◆ 6.3.4: Gas Procurement Costs for Generators Committed to Meet Reliability Needs
- ◆ 9: Risk & Opportunity Cost Data

Reference Level Manual

- ◆ Documentation Needed to Assert Higher Fuel Commodity Cost (6.3.1)
- ◆ Two methods available to assert higher Fuel Commodity Costs
 - *Emergency Reference Level Submittal via the Reference Level Software (“RLS”)*
 - *Submitting Fuel Cost Updates via the Generator Bid Screen in the MIS*
- ◆ Examples of documentation that may be required to substantiate asserted fuel costs
 - *Invoices*
 - *Quotes from Gas Suppliers*
 - *Evidence of Increased Gas Balancing Charges*
 - *Other deals on trading platforms that establish a reasonable expectation of costs asserted*

RLM – 6.3.2 Bidding, fuel procurement and reference updates in the presence of gas balancing costs or Operational Flow Orders

- ◆ Considerations affecting NYISO's evaluation of requests to include gas balancing costs in reference levels
 - *Suppliers will normally procure fuel to meet their reliability commitments (both day-ahead and real-time)*
 - *NYISO will assume Suppliers' use of gas balancing services is permitted under the relevant gas tariff. Overburns or deficiency imbalance service should be used primarily when gas cannot be nominated*
- ◆ Fuel-related incremental costs that may be eligible for recovery in reference levels
 - *Costs to comply with Federal/State laws and/or NYISO/LDC/pipeline instructions*
 - *Gas balancing charges incurred as a result of a real-time reliability instruction*
 - *Avoidable gas balancing charges may not be fully recoverable*

RLM - (6.3.2) Cont...

- ◆ MMA review of Fuel Cost Updates that incorporate gas balancing costs
 - *Include underburn/cashout risk in day-ahead reference levels*
 - *Include overburn risk in real-time reference levels*
 - Gas balancing during available normally liquid hours/nomination periods
 - *Was the charge for using gas balancing service lower than the price of gas potentially available for purchase during the nomination period ?*
 - *Incremental gas purchased at a higher price than the ex post incremental cost per mmBtu of overburn balancing service will not automatically be rejected. However, a systematic pattern of purchasing real-time gas that is more expensive than using overburn balancing service may require MMA to investigate and determine whether such procurement and bidding is consistent with competitive behavior*
 - Gas Balancing after nomination periods
 - *Generator may be asked to provide daily cumulative gas burn data to substantiate the reasonable expectation of incurring overburn balancing costs at the time of bidding*

RLM - (6.3.2) Cont...

- ◆ Bidding requirements and Reference Levels during gas system OFOs
 - *NYISO will not allow balancing charges in reference levels if the use of that balancing service would violate an OFO, or if the gas supplier had forbidden the use of that service. The generator should obtain an exception from the gas supplier (to permit the use of balancing during an OFO) in advance of submitting offers that reflect otherwise unauthorized gas balancing costs*
 - *It is acceptable for a dual-fuel generator to utilize the automatic Fuel Cost Update functionality to switch to liquid fuel if they have not obtained sufficient gas to operate*
 - *Gas-only units are not expected to offer in real-time if gas isn't available and additional gas usage would violate the terms of the OFO*
 - *Oil-only units that require additional intraday gas to start should obtain a waiver from the gas supplier to use the startup gas*

RLM - (6.3.2) Cont...

- ◆ Bidding requirements and Reference Levels during gas system OFOs - continued
 - *During an Hourly (1/24th) OFO, a gas-only generator may include in its day-ahead Startup offer a cost associated with purchasing 24 hours of gas in the Day-Ahead Market and reflecting the lesser of:*
 - the expected cashout loss associated with selling back in real-time unused gas procured day-ahead, or
 - the cost of operating at a loss in order to consume purchased gas
 - *Gas-only units unable to secure gas to meet their day-ahead obligations are expected to take a Forced Outage*
 - *Generator can reflect in reference levels expectations of costs incurred when bidding in anticipation of an OFO*
 - *“Critical Generator” designation during OFOs*

Reference Level Manual

- ◆ MMA Evaluation of Gas-fired Generators' Fuel Cost Updates (6.3.3)
 - ◆ MMA typically compares the weighted average fuel cost derived from invoices provided to fuel cost submitted
 - ◆ If no invoices are available to document asserted high Real-time fuel costs, alternative types of documentation may be submitted, as outlined in 6.3.1
- ◆ Gas Procurement Costs for Generators Committed to Meet Reliability Needs (6.3.4)
 - ◆ NYISO expects that Generators will obtain fuel in a cost-effective manner irrespective of the type of commitment

Reference Level Manual

◆ RISK & OPPORTUNITY COST DATA (9)

- ◆ Foregone Opportunity to receive future LBMP
 - Generators with a limited number of hours of operations are allowed to reflect in reference levels potential foregone revenues associated with operating in lower priced hours
 - *Hydroelectric generator with pondage*
 - *Fossil unit with a limited amount of fuel or facing environmental constraints*
- Trip-repurchase cost
 - Forced outages of certain units tend to create significant real-time premiums. Reference levels of such units are allowed to reflect the expected costs per day-ahead scheduled MWh associated with required repurchase in real-time of Energy that was scheduled day-ahead.
- Cashout Risk
 - Generators are allowed to reflect in day-ahead references the frequency and the size of costs associated with “cashing out” unused gas purchased day-ahead

Proposed Changes to Attachment H

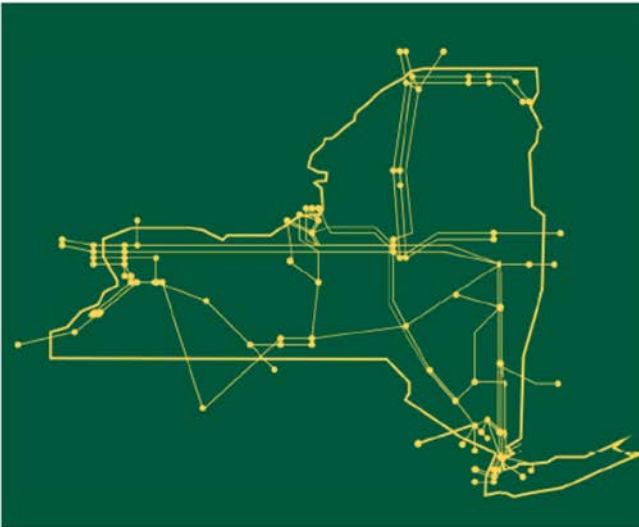
- ◆ **23.3.1.1.2 – Physical Withholding**
 - *Generator bidding during periods of unauthorized gas use*
- ◆ **23.3.1.4.6 – Reference Level Calculations**
 - *NYISO use of best fuel cost information available to it when adjusting reference levels*
 - *Reflecting fuel costs in reference levels*
- ◆ **23.3.3.3.2.1.3 – Revising Certain Reference Levels**
 - *Revised description of gas balancing charges*
- ◆ **23.4.2.2.1 – Default Bid Implementation**
 - *Market Party to use default bid*
- ◆ **23.4.3.3.3 – Fuel Cost Adjustment Mitigation Measure**
 - *Conduct and Impact Test*
 - *GP Impact Test for reliability units*

Next Steps

- **Market Issues Working Group (MIWG)**
 - ~~*Presented on December 2, 2014*~~
 - ~~*Presented on January 7, 2015*~~
 - ~~*Presented on April 23, 2015*~~
 - ~~*Presented on June 9, 2015*~~
 - ~~*Presented on July 28, 2015*~~
- **Business Issues Committee (BIC)**
 - *Presented on August 12, 2015*
- **Management Committee (MC)**
 - *Presented on August 26, 2015*
- **Board of Directors/FERC Filing**

Questions/Comments

The New York Independent System Operator (NYISO) is a not-for-profit corporation responsible for operating the state's bulk electricity grid, administering New York's competitive wholesale electricity markets, conducting comprehensive long-term planning for the state's electric power system, and advancing the technological infrastructure of the electric system serving the Empire State.



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