

Enhanced Scarcity Pricing

Matthew Musto

*Project Manager – Ops and Reliability Products
New York Independent System Operator*

Market Issues Working Group (MIWG)

*November 7, 2012
Rensselaer, NY*

Agenda

- ◆ **Review of the proposed solution.**
- ◆ **Questions from the 10/25 MIWG.**
- ◆ **Next Steps.**

2011 State of the Market Report

- ◆ **David Patton's recommendation #8**
 - *'Modify rules so demand response resources that have been activated are eligible to set LBMPs in the real-time pricing methodology.'*

Recap of Proposed Solution

- ◆ **Allow activations to be tested and priced for the specific zone(s).**
 - *NYISO will continue to activate EDRP/SCR in the specific zone(s) needed to maintain reliability and allow scarcity pricing to apply to the energy price (LBMP) in the activated zone(s).*
- ◆ **Align latent reserve calculation in ‘but for’ Scarcity Pricing test with existing Ancillary Service market rules.**
 - *Remove inclusion of recallable External ICAP Energy sales (i.e., ICAP sales from NYCA generators to external Control Areas) as reserves*

Recap Continued

- ◆ **The Real Time market will run its normal dispatch then immediately test the “but for” scenario:**
 - “But for” will be determined as follows: If Latent Reserves – [EDRP/SCR + scheduled reserves] < 0 then scarcity pricing applies.
 - Latent Reserves are defined as ‘the capability of all Suppliers to provide Spinning Reserves, Non-Synchronized 10-Minute Reserves, and/or 30-Minute Reserves in that interval and in the relevant location.’”

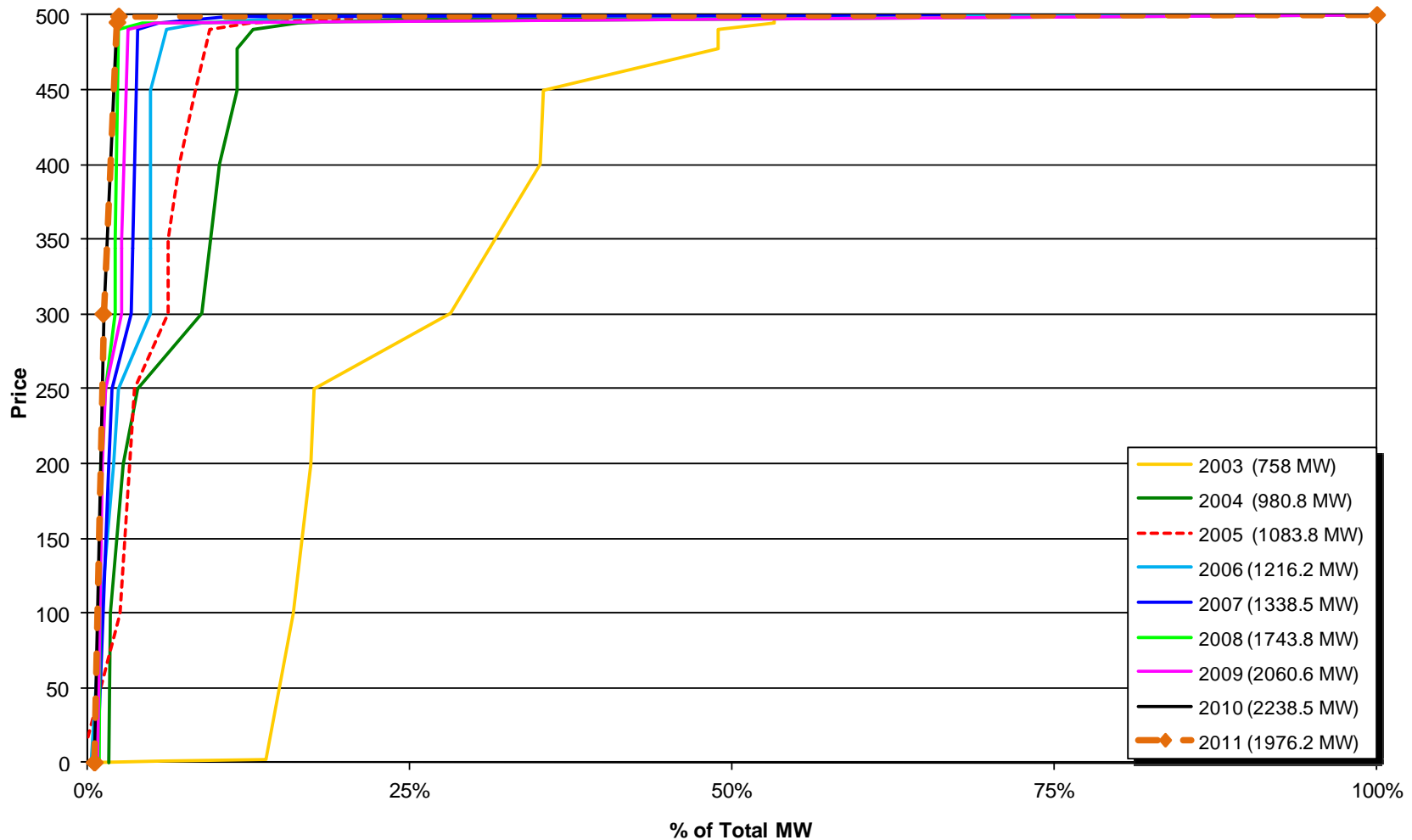
Activation Zones and Tests

- ◆ **Tests can be against specific zone(s), NYCA or SENY for Scarcity Pricing.**
 - *Depending on the operational reason for activation, the but-for test can be against the specific zone or zones activated.*
 - *If the activation is for NYCA or SENY the test will be against those areas even if only a subset of zones are activated.*
 - *Example 1 (7/18/2012 HB 13-18):*
 - Zone J activated 473MW for SENY capacity.
 - Test the 473MW against SENY (zones G-K)
 - *Example 2 (7/6/2010 HB 13-19):*
 - Zone J activated 480MW for NYC voltage support.
 - Test 480MW against Zone J.

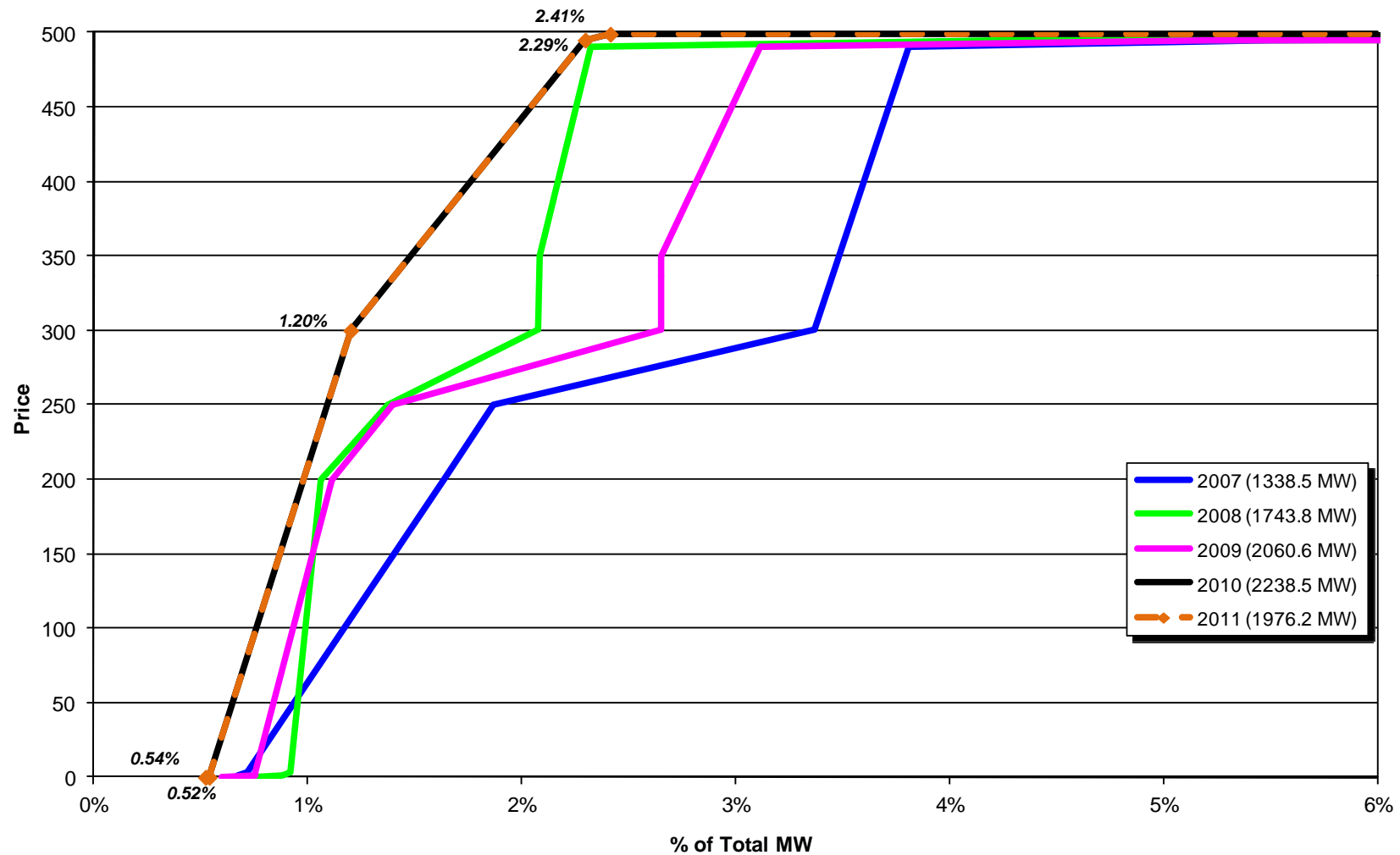
Questions from 10/25 MIWG

- ◆ **Review why we chose a single point \$500 strike price for the EDRP/SCR ‘but-for’ test.**
- ◆ **Review mitigation possibilities for EDRP/SCR resources.**
- ◆ **Additional clarification surrounding activation and pricing tests.**
- ◆ **Pricing outcome analysis.**

SCR Minimum Payment Nomination



Minimum Payment Nomination Cont.



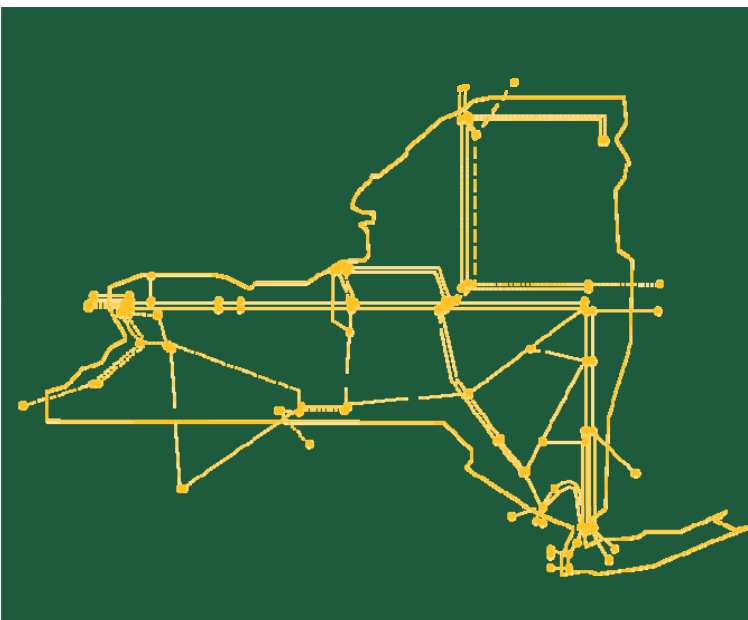
EDRP/SCR Summary

- ◆ **Less than 40 MW of EDRP/SCR submit a payment nomination below \$500.**
- ◆ **Activated EDRP resources are administratively set to the higher of RT LBMP or \$500 in a March, 2001 FERC filing.**
- ◆ **SCR resources are capped at the EDRP \$500 payment nomination and paid the higher of their nomination or RT LBMP.**

Next Steps

- ◆ **Consumer Impact Analysis presented at 11/16 MIWG – Tariq Niazi**
- ◆ **BIC on 12/5.**
- ◆ **MC on 12/19.**
- ◆ **Implementation targeted for Q2 2013 with regular updates in this forum.**

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.



[*www.nyiso.com*](http://www.nyiso.com)