

Enhanced Scarcity Pricing



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Agenda

- ◆ **Review of the proposed solution**
- ◆ **Proposed Tariff Changes**
- ◆ **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 “But for”

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

Recap Activation Zones and Tests

- ◆ **Tests for Scarcity Pricing can be against specific zone(s), NYCA or SENY.**
 - *The test will be applied in the Load Zone(s) where the reliability need requiring SCR/EDRP activation is located.*
 - *If the reliability need 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.

Recap Calculation

◆ Energy Calculation

- *Calculate the Scarcity Price LBMP for each generator in the zone(s) where the reliability need is located.*
 - **Scarcity LBMP = Marginal Cost of Losses (MCL) + Scarcity Price (\$500)**
 - Note: Scarcity Price will be set to the maximum offer value for SCR (\$500).
- *The maximum of the original RTD LBMP and the Scarcity LBMP becomes the Final LBMP.*
- *Example:*
 - **RT LBMP = \$50 (\$48 ref bus + \$2 MCL)**
 - **Scarcity LBMP = \$2 MCL + \$500 SP= \$502**
 - **MAX (\$50 RT LBMP, \$502 Scarcity LBMP) = \$502**

Proposed Tariff Changes

- ◆ **Revised Definition of Available Reserves to exclude recallable External ICAP Energy sales.**
- ◆ **Modified Att B, 17.1.2 thru 17.1.2.3.2**
 - *Eliminated references to Scarcity “A” and “B”*
 - *Indicate the “but-for” test will be against the areas where load reduction is needed to meet the reliability need*
 - *Modify LBMP formula to be consistent with new calculation*

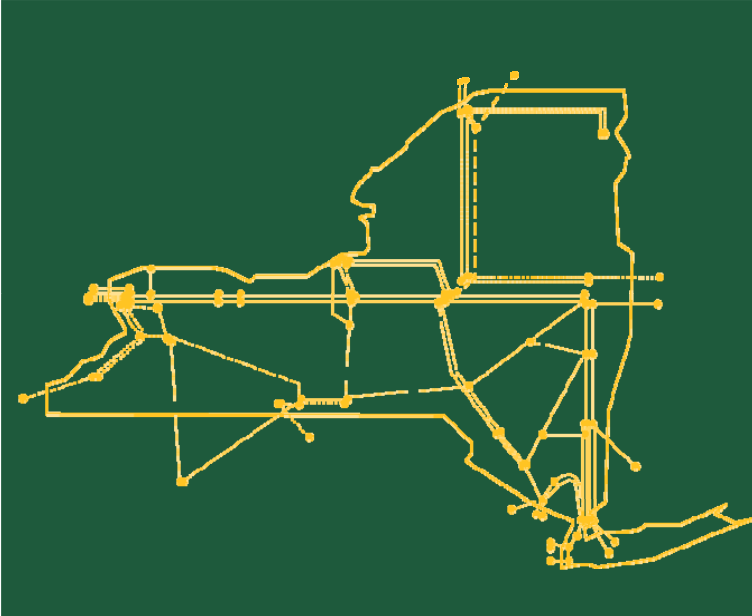
Proposed Tariff Changes

- ◆ **Modified Rates Schedules 3 and 4 (15.3.5.2 and 15.4.6.2) to remove references to rules “A” and “B” and to condense language to indicate consistency with reserve cascading**
- ◆ **Minor format change to 5.12.11.1, removing upper case distinction from “Forecast Reserve Shortage” as it is not a defined term**

Next Steps

- ◆ **BIC on 12/5**
- ◆ **MC on 12/19**
- ◆ **BOD and Filing Q1 2013**
- ◆ **Implementation targeted for Q2 2013**

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