



# Enhancement of Pivotal Supplier Rules - NYISO Proposal

**Michael Lavillotti**  
**Analyst, ICAP MMA**  
*New York Independent System Operator*

**Management Committee**  
***November 30, 2016***  
***Rensselaer, NY***

# Agenda

- **Background & Overview**
- **NYISO's Proposal**
- **Tariff Language**
- **Next Steps**

# Background

- The MMU recommends enhancing the Pivotal Supplier rules
  - *“...to prevent a large supplier from circumventing the mitigation rules by selling capacity in the forward capacity auctions (i.e., the strip and monthly auctions) to avoid being designated as a pivotal supplier.”*
    - 2015 State of the Market Report at p. 31, and Recommendation #6, p. 116, and SOM Reports beginning 2012
- When the G-J Locality was created, the mitigation rules for that locality were modified to address this issue
- Because that proceeding only related to the G-J Locality, the Commission ruled that the revision could only apply to the G-J Locality. (147 FERC ¶ 61,152 (2014) at PP 36-37.)
- Therefore, different rules apply in Zone J and the G-J Locality
  - *The Zone J Pivotal Supplier test does not include capacity sold and certified in the Capability Period (strip) or Monthly Auctions for the applicable month when performing this test*

# Overview of Previous Pivotal Supplier Rule Enhancement Presentations

- **On September 1<sup>st</sup>, 2016, the NYISO presented two options for updating the Pivotal Supplier rules**
  - *(Proposal 1): All MW including those sold in the strip or Monthly Auction for the applicable month would be used to calculate a supplier's cumulative threshold, for each Mitigated Capacity Zones*
    - This rule exists for the G-J Locality and was put in place with the implementation of the new Locality
  - *(Proposal 2): Proposal 1 and additionally, take into account the ability to affect the ICAP Spot Market Auction clearing price(s) by withholding some of the capacity in a given Mitigated Capacity Zone. The NYISO presented the formula of how this would be achieved*
    - Additionally, the NYISO solicited feedback on the minimum pivotal threshold of 500 MW in Zone J and 650 MW in the G-J Locality, in the calculations for Proposal 2

# Overview of Pivotal Supplier Rule Enhancement Update

- **The NYISO did not receive indications of interest to pursue Proposal (2) or to update the minimum pivotal threshold of 500 MW in Zone J and 650 MW in the G-J Locality**

# Pivotal Supplier Rule Enhancement: NYISO Proposal

- **The NYISO is proposing the following tariff change:**
  - *Proposal : All MW including those sold in the strip or Monthly Auction for the applicable month would be used to calculate a supplier's cumulative threshold, in all Mitigated Capacity Zones*
    - This rule exists for the G-J Locality
    - The proposal would align the rule for Zone J and any future NCZ (if any) with the existing G-J Locality rule

# Proposal: Tariff Language & Resource Impact

- **Proposal :**
  - *Requires Tariff changes but not software changes*
  - *All necessary Tariff revisions are found in MST Section 23.4.5.5*
- **Tariff Excerpt:**

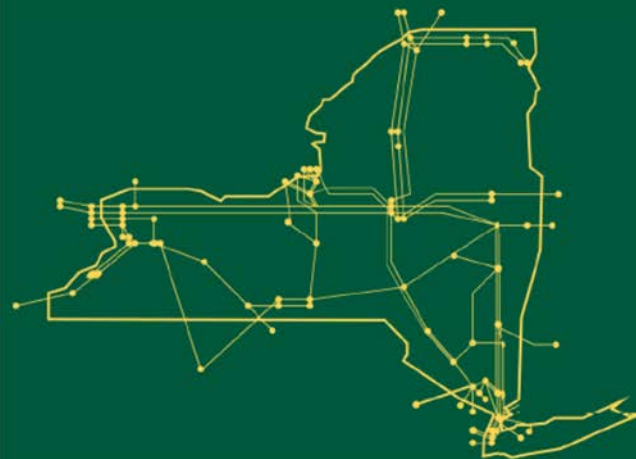
23.4.5.5 Control of Unforced Capacity shall be rebuttably presumed from (i) ownership of an Installed Capacity Supplier, or (ii) status as the Responsible Market Party for an Installed Capacity Supplier, but may also be determined on the basis of other evidence. ~~For purposes of determining if a Responsible Market Party is a Pivotal Supplier in a Mitigated Capacity Zone except the G-J Locality, the presumption of Control of Unforced Capacity can be rebutted by: (1) the sale of Unforced Capacity in a Capability Period Auction or a Monthly Auction, or (2) demonstrating to the reasonable satisfaction of the ISO that the ability to determine the price and quantity of offers to supply Unforced Capacity has been conveyed to a person or entity that is not an Affiliated Entity without limitation or condition.~~ For purposes of determining if a Responsible Market Party is a Pivotal Supplier in a Mitigated Capacity Zone~~the G-J Locality~~, the presumption of Control of Unforced Capacity can be rebutted by demonstrating to the reasonable

# Next Steps

- ***Present to Board of Directors for authorization to make a 205 filing***
- ***File with FERC***
- ***Effective 60 days later to be first applied for the Summer 2017 Capability Period***



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)