

NYISO's Proposed Reliability Must Run Framework

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NYISO's Proposed Framework for RMR Compliance Filing

- ◆ Notice
- ◆ Evaluation of Alternatives
- ◆ Compensation:
 - *Voluntary Paradigm*
 - *Availability and Performance Rate*
 - *Accelerated Cost Recovery for Necessary Capital Expenditures*
- ◆ Cost Allocation & Cost Recovery
- ◆ Participation in the Market
- ◆ Disincentives to Toggling
- ◆ Enhancements to RNA/CRP Processes
- ◆ Next Steps

Process Considerations: Notice

- ◆ **Twelve months is the minimum period that is adequate for the NYISO to:**
 - *Evaluate a noticed deactivation to determine whether it would result in a reliability need*
 - *Trigger the gap solution process to solicit alternative solutions to an identified reliability need*
 - *Consider viability and sufficiency of the proposed alternative solutions*
 - *Prepare the RMR agreement for the owner of the deactivating generator to file at FERC*
- ◆ **The current PSC notice period is 90 or 180 days**
 - *NYISO is considering truncating the notice period and allowing generators that have satisfied the PSC notice requirements to deactivate upon (1) the completion of all required reliability analyses and, (2) it has been determined that the generator's deactivation will not cause a reliability need*

Evaluation of Alternatives

- ◆ The NYISO proposes to leverage the current Gap Solution process in Attachment Y of the OATT to solicit and evaluate alternatives
 - *NYISO will trigger Gap process when the reliability analysis of a deactivation identifies a criteria violation*
 - *The responsible TO(s) will propose a gap solution and a conceptual permanent solution*
 - *NYISO will solicit additional solutions*
 - *NYISO, in coordination with the responsible TO(s), will evaluate and determine the viability and sufficiency of all gap solutions identified*
- ◆ Feasible alternative solutions may include operating procedures, transmission, demand-side resources, and generation
 - *A unit in a “Mothball Outage” or an “ICAP Ineligible Forced Outage” that can return to resolve the reliability need presented by another unit’s subsequent deactivation notice may receive an RMR as determined by the NYISO*
 - *Non-Generator gap solutions, such as transmission and demand side resources, may be deployed by the PSC to address a reliability issue. The NYISO will take non-generator solutions into consideration when determining the need for and expected duration of an RMR*

Compensation: Voluntary

- ◆ The NYISO is proposing a voluntary RMR regime
 - *This proposal does not include a request for tariff authority to require generators that have submitted a deactivation notice to remain in service for reliability beyond the conclusion of a 12-month notification period*
 - *If a reliability criteria violation is identified and an RMR is selected as an appropriate gap solution, the NYISO will offer a generator (the unit that submitted the notice, a unit that is currently in a “Mothball Outage” or a unit in a “ICAP Ineligible Forced Outage” that can return to address the reliability need) an “Availability and Performance Rate” (“APR”) to remain in (or return to) service*
 - The RMR agreement/rate schedule NYISO executes will, by its terms, become effective after the conclusion of the notice period
 - *The generator can reject the APR and submit a 205 filing directly to FERC proposing a different rate for the RMR agreement*

Compensation: Components of the APR Rate

- ◆ Availability and Performance Rate (“APR”) will be comprised of two components: (i) a RMR avoided cost base rate + (ii) availability and performance payments.
 - *The proposal will include a formulaic RMR base rate for the unit based upon its avoided costs for the term of the RMR agreement*
 - This base rate may include accelerated cost recovery for necessary capital expenditures required to keep the unit operable for the term of the RMR agreement
 - *Availability and Performance payments will be added to the RMR base rate*
 - This compensation will be at risk and will not be paid if the unit fails to achieve availability or performance targets that are set forth in the RMR agreement
 - Performance = produce the requested quantity of Energy or Ancillary Services when called upon to do so

Compensation: Accelerated Cost Recovery

- ◆ The compensation rules will address accelerated cost recovery when generators require upgrades, retrofits or additional investment in order to be available to address the reliability need over the term of the RMR agreement
 - *The NYISO will review and determine the reasonableness of proposed RMR-funded expenditures prior to their inclusion in the RMR base rate*
- ◆ A generator that continues participating in, or that returns to the NYISO's markets following the conclusion of an RMR agreement will be required to remit accelerated cost recovery it received under the RMR agreement, to the extent the underlying expenditures provide benefits to the generator beyond the conclusion of the RMR agreement
 - *Example—in order to provide RMR service, a generator has to install new, advanced emissions controls. These capital additions will provide benefits to the plant for as long as it continues to operate*

Cost Allocation & Cost Recovery

- ◆ **The NYISO proposes to leverage the Attachment Y Cost Allocation procedures (Beneficiaries Pay)**
 - *Cost Allocation for RMR will flow through the Attachment Y provisions*
 - **Cost allocation for RMR agreements that address resource adequacy needs will utilize the existing tariff provisions**
 - **Tariff modifications are required to**
 - allocate cost to beneficiaries for RMR agreements that address transmission security issues related to bulk power transmission facilities
 - address cost allocation of RMR solution to local reliability issues
- ◆ **Cost Recovery through the NYISO tariff is available currently by zones**
 - *This functionality is being enhanced as part of the Billing and Settlement project to allow for cost recovery by subzones (different Transmission Districts within each zone)*

Participation of an RMR Unit in the NYISO-administered Markets

- ◆ RMR units will offer into the Energy and Ancillary Service markets consistent with their NYISO-determined reference levels
 - *The NYISO's MMA Department and the MMU will work with the generator to update its reference levels to accurately reflect its costs before an RMR agreement becomes effective*
 - *RMR Generators that ordinarily provide Voltage Support or Blackstart services will be expected to continue to provide these services*
- ◆ RMR units will offer into the capacity market at a *de minimis* level (as a price taker) for the amount of the need not modeled by the ICAP market

Disincentivize Toggling between RMR and Market Rates

- ◆ Resources submitting notice of deactivation will be required to submit cost data supporting the decision
 - *MMA will evaluate the submissions to determine if the projections reasonably support the decision to retire or mothball*
- ◆ As explained on Slide 8, a generator that continues participating in, or that returns to the NYISO's markets following the conclusion of an RMR agreement will be required to remit accelerated cost recovery it received during the term of the agreement, to the extent the underlying expenditures provide benefits to the generator that extend beyond the conclusion of the agreement

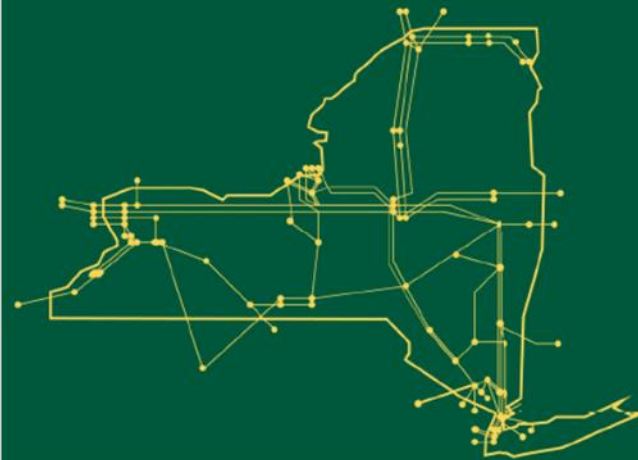
Changes to RNA/CRP Processes

- ◆ **NYISO is considering enhancements to its long-term planning process to help it identify and develop solutions to potential generator retirements**
 - *NYISO is considering excluding RMR units from RNA/CRP base cases in order to evaluate the expected duration of the underlying reliability need and to solicit permanent market-based and regulated backstop solutions to address such needs*
 - *NYISO is considering evaluating the impacts of potential critical plant deactivations on transmission security during the second 5 years of the RNA/CRP planning horizon (years 6-10).*

Next Steps

- ◆ The NYISO anticipates returning to the ICAPWG/ESPGWG in May
- ◆ The NYISO will consider input received during today's meeting while preparing the tariff provisions and *pro forma* RMR agreement
- ◆ Stakeholders can also provide additional comments in writing to deckels@nyiso.com
 - *Comments should indicate whether or not the stakeholder is requesting that they be posted with the meeting materials*

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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