

Historic Fixed Price TCC Extensions

Gregory R. Williams
MANAGER, TCC MARKET OPERATIONS

Special Management Committee Meeting

June 26, 2018, Rensselaer, NY

DRAFT – FOR DISCUSSION PURPOSES ONLY

©COPYRIGHT NYISO 2018. ALL RIGHTS RESERVED



Agenda

- **Historic Fixed Price TCC (HFPTCC) Overview**
- **Review Proposal for HFPTCC Extension Product**
- **Overview of Tariff Revisions**
 - Market Administration & Control Area Services Tariff (MST) Section 26 (Att. K)
 - Open Access Transmission Tariff (OATT) Sections 1, 2, 14 (Att. H), 19 (Att. M), and 20 (Att. N)
- **Implementation considerations**

HFPTCC Overview

- **FERC Order No. 681 required that long-term firm transmission rights be made available with terms (and/or rights to renewal) that are sufficient to meet the reasonable needs of Load Serving Entities (LSEs) to support long term power supply arrangements used to satisfy their service obligations**
 - The HFPTCC product was created in collaboration with stakeholders and approved by FERC as part of the NYISO's compliance with the requirements of Order No. 681
 - HFPTCCs provided eligible LSEs the ability to obtain TCCs for a period of up to 10 years
 - Certain LSEs that retained grandfathered transmission service that expired in 2013 related to power supply agreements with NYPA that lasted until 2025 were provided the ability to obtain HFPTCCs for up to 12 years
- **The initial HFPTCCs commenced on November 1, 2008**

HFPTCC Overview (continued)

■ Eligibility

- LSEs with transmission rights under an Existing Transmission Agreement (ETA) that is listed in Table 1A of Attachment L of the OATT may be eligible to obtain HFPTCCs with the same Point of Injection (POI) and Point of Withdrawal (POW) as that ETA upon expiration of the ETA
- LSE must be capable of certifying: (1) continuing obligation to serve the load related to the ETA; and (2) continuing need for transmission Capacity between the POI and POW to serve such load
- May purchase HFPTCCs for up to the MW of ETA, but not exceeding the MW of the historic load continuing to be served

HFPTCC Overview (continued)

- **Price Calculation - Average of the following two components:**
 - (1) Average of the inflation-adjusted market-clearing prices calculated for TCCs with the POI and POW associated with the prior ETA in the one-year Sub-Auction rounds of each of the four previous Centralized TCC Auctions; and,
 - (2) Sum of the inflation-adjusted Day-Ahead Market monthly congestion costs between the same POI and POW over the four most recently concluded Capability Periods, divided by two
 - For LSEs that elect a 5-year fixed price option, the price is calculated in this same manner using refreshed values at the time of price recalculation
- **Renewal**
 - Prior to the anniversary date of the HFPTCC, the NYISO provides a renewal letter and supporting documentation necessary to renew the HFPTCCs for one year at a time
 - Total duration of all renewals cannot exceed the maximum allowable term (10 or 12 years)
 - Any MW quantity not renewed is no longer eligible for renewal in future years

HFPTCC Overview (continued)

- 1,748 MW of HFPTCCs are currently active
- HFPTCCs which were initially offered in 2008 are now approaching the end of their 10-year term and will expire after October 31, 2018
- HFPTCCs which were initially offered in 2009 will expire after October 31, 2019
- As part of developing the HFPTCC product, the NYISO had committed that it would explore whether such an option to renew after the initial full term (10 or 12 years) would be made available to eligible LSEs
 - The proposal described on the following slides was developed in response to this prior commitment to FERC

HFPTCC Extensions

- **HFPTCC extensions would be made available to LSEs that converted expired/terminated ETAs to HFPTCCs and continued to purchase HFPTCCs throughout the entire full term for which the LSE initially had the right to purchase and renew HFPTCCs (10 or 12 years)**
 - NYISO is proposing a limited exception to this general rule for LSEs that purchased HFPTCCs but previously elected to terminate their HFPTCCs prior to June 1, 2018
- **POI and POW remain the same as the expired/terminated ETA**
- **One year duration with annual renewals**
- **Start date of extension would be limited to the first day of the Capability Period following the completion of the full term (10 or 12 years) of the applicable HFPTCCs**
- **MW quantity eligible for extension capped at the original ETA MW, but not exceeding the MW of the historic load continuing to be served**

DRAFT – FOR DISCUSSION PURPOSES ONLY

©COPYRIGHT NYISO 2018. ALL RIGHTS RESERVED

HFPTCC Extensions (continued)

- **Each set of HFPTCCs shall be treated separately with regard to the eligibility to purchase extensions:**
 - LSEs may have been awarded sets of HFPTCCs associated with more than one expired/terminated ETA, or
 - LSEs may have been awarded two sets of HFPTCCs with different initial start dates that are related to the same expired/terminated ETA (as a result of OATT Section 19.2.1.1.1)
- **Same certification requirements continue to apply (obligation to serve and need for transmission capacity)**
 - NYISO may request additional information from LSEs to verify the accuracy of certifications
- **No limitation on maximum number of extensions (subject to ongoing ability to meet certification requirements)**

HFPTCC Extensions (continued)

- **The number of HFPTCCs that a LSE may extend for a one-year extension period may be reduced to ensure feasibility with existing and valid TCCs (this same requirement applies to current HFPTCCs awarded under OATT Section 19.2.1)**
 - This reduction process, if necessary, would be consistent with the reduction process for Existing Transmission Capacity for Native Load and Grandfathered TCCs subject to reduction (OATT Section 19.8.2)
- **Each year would be a new decision for eligible LSEs (i.e., not purchasing a HFPTCC extension for the full eligible amount or not purchasing a HFPTCC extension at all for a given year will not limit the right to purchase a HFPTCC extension for the full eligible amount in future years, provided that certification requirements can be met)**

HFPTCC Extensions (continued)

- **Eligible LSEs must notify the NYISO annually of its decision to purchase or decline to purchase a HFPTCC extension for a given one-year period**
 - Notice of extension purchase decisions will be due prior to the start of the Centralized TCC Auction in which the six-month Sub-Auction rounds make capacity available to support TCCs for the same Capability Period that an extension would take effect
- **Any unused transmission capacity will be made available for purchase in the upcoming Centralized TCC Auction**
- **Payments (consistent with current procedures for HFPTCC purchases)**
 - An initial 25% payment due at the time that the purchase election is due for the HFPTCC extension - prior to the commencement of the upcoming Centralized TCC Auction
 - Remaining 75% payment due on the same date that payments are due for that Centralized TCC Auction

DRAFT – FOR DISCUSSION PURPOSES ONLY

HFPTCC Extensions (continued)

- **Purchase price based solely on capacity-weighted average of market-clearing prices from the most recently completed one-year Sub-Auction rounds of a Centralized TCC Auction**
 - Negative purchase prices will be set to zero (consistent with current rules for HFPTCCs)
 - Pricing typically determined approximately seven months before the start date of the Capability Period in which the TCCs would take effect
 - Consistent with HFPTCCs, eligible LSEs would not need to participate in TCC auctions to purchase the HFPTCC extension product
- **Eligible LSEs would have approximately three to four months to make their purchase decision**
- **Revenues received from the sale of the HFPTCC extensions would be allocated to Transmission Owners and accounted for in TSC/NTAC calculations in the same manner as the revenues from existing HFPTCC sales**

DRAFT – FOR DISCUSSION PURPOSES ONLY

Proposed Tariff Changes

- Updated the following section in Attachment K of the MST (Section 26) to clarify that the current credit requirements for HFPTCCs shall also apply to HFPTCC extensions:
 - Section 26.4.2.4.2 (holding requirement for Fixed Price TCCs)
- Proposed revisions are included in the following provisions of Section 19.2 of the OATT:
 - Section 19.2.1.1: added clarifying language to recognize HFPTCC extensions and address eligibility for extensions
 - Section 19.2.1.2: added language to clarify that pricing for HFPTCC extensions is determined pursuant to Section 19.2.1.4
 - Section 19.2.1.3: removed a redundant paragraph, clarified this section does not apply to HFPTCC extensions, and clarified that because non-timely payments for HFPTCCs results in permanent surrender, it consequently also eliminates eligibility to purchase HFPTCC extensions
 - Section 19.2.1.4: added a new section addressing the requirements for the HFPTCC extension product

Proposed Tariff Changes (continued)

- Updated the following OATT sections to clarify that the described treatment of HFPTCCs shall also apply to HFPTCC extensions:
 - Section 2.2.2
 - Section 14.1.2.1.1
 - Section 14.2.2.2.1
 - Section 19.1
 - Sections 19.2.1, 19.2.3, and 19.2.3.1
 - Section 19.7
 - Sections 19.8.2 and 19.8.3
 - Section 19.9.3
 - Section 20.1.1
 - Section 20.2.5
 - Section 20.3.7
 - Sections 20.4.1.1, 20.4.1.2, 20.4.2, 20.4.3, and 20.4.4

Proposed Tariff Changes (continued)

- **Proposed revisions to the following definitions in the OATT:**
 - Section 1.6 (Definition of “Fixed Price TCC”): clarified that the definitions of the terms “Fixed Price TCC” and “Historic Fixed Price TCC” also encompass HFPTCC extensions
 - Section 1.19 (Definition of “Sub-Auction”): replaced the incorrect reference to the term “Capability Period Auction” with “Centralized TCC Auction”
- **Ministerial grammatical, typographical, and punctuation corrections proposed in the following OATT sections:**
 - Section 1.6
 - Sections 19.2.1.3, 19.2.1.4, 19.2.2.1, and 19.2.2.2
 - Section 19.7
 - Section 19.9.1

DRAFT – FOR DISCUSSION PURPOSES ONLY

Implementation Considerations

- The tariff requires the NYISO to make all transmission capacity not used to support existing and valid TCCs available to support the sale of TCCs in each Centralized TCC Auction
- The bidding and offering period for the first round of the 2018 Autumn Centralized TCC Auction is expected to begin in mid-August 2018
- Assuming the current proposal is accepted by FERC subsequent to approval by stakeholders in June and the NYISO Board of Directors in July, the earliest the tariff language could become effective would be approximately mid-September to late-September
- The NYISO would need to seek a waiver from FERC for permission to reserve 256 MW of transmission capacity from the upcoming 2018 Autumn Centralized TCC Auction to support the potential award of HFPTCC extensions that would begin on November 1, 2018 and ensure feasibility issues do not arise from offering such extensions to qualifying LSEs

DRAFT – FOR DISCUSSION PURPOSES ONLY

Next Steps

- Seek Management Committee approval
- Seek Board of Directors approval
- File with FERC

Questions/Feedback

- Email additional feedback to: deckels@nyiso.com

The Mission of the New York Independent System Operator, in collaboration with its stakeholders, is to serve the public interest and provide benefits to consumers by:

- Maintaining and enhancing regional reliability
- Operating open, fair and competitive wholesale electricity markets
- Planning the power system for the future
- Providing factual information to policy makers, stakeholders and investors in the power system



www.nyiso.com

DRAFT – FOR DISCUSSION PURPOSES ONLY

©COPYRIGHT NYISO 2018. ALL RIGHTS RESERVED