

# Market Services Tariff Updates: Fuel Cost Adjustments and Min Oil Burn Compensation Program

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**Business Issues Committee**

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# Agenda

## ■ Proposed Market Services Tariff Revisions

- Section 23: Attachment H
  - Changes to the review process for Real-Time Fuel Cost Adjustments (“FCAs”) (Section 23.4.3.3.3)
  - Changes to the Bias Test (Section 23.3.1.4.6.9)
- Section 4: Market Services – General Rules
  - Clarification of Market Participant obligations to notify the NYISO in the Min Oil Burn Compensation program (Section 4.1.9.2)

# Background

Date	Working Group	Details and Materials
07-19-17	Market Issues Working Group (MIWG)	First discussion of proposed changes - <u><a href="#">Presentation</a></u>
08-25-17	Market Issues Working Group (MIWG)	Presented draft tariff language - <u><a href="#">Presentation</a></u>
09-25-17	Market Issues Working Group (MIWG)	Presented revisions of proposed changes and draft tariff language - <u><a href="#">Presentation</a></u>

# Attachment H Revisions

## Fuel Cost Adjustment Penalty Updates

# Fuel Cost Adjustments Background

- FCAs allow generators to submit a fuel type and/or price along with their energy offers
- If the FCAs are validated using posted thresholds<sup>1</sup>, the generator's Incremental Energy and Min Gen Reference Levels are updated to reflect the submitted fuel type and/or price
- Market Mitigation & Analysis (MMA) reviews all FCAs in accordance with the Services Tariff
  - If the FCA fails the conduct and impact tests described in Section 23.4.3.3.3 of the Services Tariff, the Market Participant may be subject to penalty

1. [http://www.nyiso.com/public/webdocs/markets\\_operations/services/market\\_monitoring/Fuel\\_Entry\\_Thresholds/Fuel\\_Entry\\_Thresholds/Fuel%20Entry%20Thresholds%20DA%20and%20RT%20Effective%2004-4-2017.pdf](http://www.nyiso.com/public/webdocs/markets_operations/services/market_monitoring/Fuel_Entry_Thresholds/Fuel_Entry_Thresholds/Fuel%20Entry%20Thresholds%20DA%20and%20RT%20Effective%2004-4-2017.pdf)

# Fuel Cost Adjustment Penalty

- If the FCA fails the conduct and impact tests described in Section 23.4.3.3.3 of the Services Tariff, the Market Participant may be subject to penalty
- The penalty is calculated according to the formulas in Sections 23.4.3.3.3.3 and 23.4.3.3.3.4 for the Day-Ahead and Real-Time Markets respectively

# Fuel Cost Adjustment Penalty

- **Currently, the MST-specified Day-Ahead Impact Test requires rerunning the market to determine the dollar impact of the FCA on LBMPs**
  - Reruns use the higher of a revised Reference Level calculated using actual, demonstrated fuel costs or the NYISO's reference level without the FCA
  - Conduct and Impact are tested using the thresholds specified in Sections 23.3.1.2 and 23.3.2.1 of the Mitigation Measures
- **The current Real-Time Impact Test assumes that generator FCAs have impact if the RT LBMP falls between:**
  - The higher of (a) revised Reference Level calculated using actual, demonstrated fuel costs, or (b) the NYISO's reference level without the FCA  
and
  - The reference level with the FCA that the Market Party submitted
- **The real-time penalty calculation does not test the impact on RT LBMP based on market reruns. It determines impact using the comparison described above.**

# Fuel Cost Adjustments - Proposed Revisions

- **NYISO proposes to change the Real-Time impact test and penalty calculation for misuse of the FCA functionality to align with the more precise Day-Ahead impact test and penalty calculation**
  - Remove “Day-Ahead” mentions from conduct and impact tests
  - Combine the Day-Ahead and Real-Time Market Penalties into one section
    - Clearly states penalties will be calculated separately for each market
    - Defined each variable as it relates to the Day-Ahead or Real-Time Market Penalties
    - Adjust equation so the multiplier for repeated infractions applies to the entire penalty
  - Delete entire sections detailing the Real-Time conduct test, impact test and penalty calculation



# Attachment H Revisions

## FCA Bias Test Updates

# 7-Day Bias Test Background

- **MMA reviews generators' FCAs over the prior seven days to determine if there is any tendency toward an upward bias**
  - FCAs are considered biased if, over the past seven days, the submitted fuel price and/or type exceeds the higher of the NYISO's indexed fuel price or the generator's actual cost by more than 10%, on average.
- **If submitted FCAs were biased in the Market Party's favor the NYISO must cease using the Market Party's FCAs to revise Reference Levels for a specified period of time**
  - Section 23.3.1.4.6.9 of the Mitigation Measures

# 7-Day Bias Test Concerns

- **Reviewing FCAs from the prior seven days does not ensure that enough data is available to draw conclusions about tendencies toward upward bias**
- **The 10% threshold used in screening for bias has become increasingly restrictive as natural gas prices have decreased**
  - 10% of a \$2.00/MMBtu natural gas price is a very tight threshold
- **FCAs, submitted consistent with competitive behavior, may exceed the NYISO's indexed fuel price and the generator's actual fuel cost due to unexpected developments**
  - Attachment H currently obligates NYISO to cease permitting the generator to use FCAs to revise its Reference Levels for up to 180 days

# FCA Bias Test Proposed Revisions

- Instead of reviewing FCAs submitted over the prior seven days, review all of a generator's FCA submittals over the previous 90 days as long as FCAs were submitted for at least 100 hours
  - Submissions must align with the type of Bias test being performed, either Fuel Type or Fuel Price
- Rather than using a 10% threshold to identify bias, use the greater of 10% or \$0.50/MMBtu

# FCA Bias Test Proposed Revisions

- **Allow the Market Party an opportunity to demonstrate to the NYISO and MMU that the FCAs were consistent with competitive behavior even when the difference between the FCA and the actual fuel cost exceeds the proposed threshold**
- **Modify the periods of time that NYISO must cease using a Market Party's FCAs after submission of inaccurate fuel type or fuel price information**
  - Currently the ban lasts for 60 days after the first failure and 180 for each subsequent failure
  - Proposing an initial ban of 30 days, a ban of 60 days for a second failure and 120 days for each subsequent failure

# Market Services – General Rules And Attachment H Revisions

## Min Oil Burn Updates

# Min Oil Burn Proposed Revisions

- Clarify that tax information must be submitted by a Market Participant to receive accurate compensation
- MMA uses the most up-to-date data in its possession to calculate the payments for the Min Oil Burn program
- Revisions to Services Tariff Section 23.4.3.3.3 to remove NYSRC numeric rule designation
  - Prevents NYISO Tariff from citing legacy NYSRC rule numbers in the future

# Next Steps

- October MC
  - Vote on Tariff revisions
- November NYISO Board of Directors
- FERC Filing
- Present analysis on the effects of the new tariff language at MIWG in Q2 2018



# Questions?

# 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



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