

Business Issues Committee
Update on Capacity Exports from Localities
April 12, 2017

Background: In October 2016 the Management Committee considered the NYISO's Capacity Export Proposal. The motion ultimately approved by the Management Committee included a commitment by the NYISO to work with Stakeholders further on this issue in 2017 and to provide updates to the Business Issues Committee (BIC) and to the NYISO Board at its January and April 2017 meetings. The motion also included a commitment that "On or before June 1, 2017, the ISO will file with the Commission either an informational report on the evaluation or a filing proposing to amend the ISO Tariffs."

The purpose of this Update is to provide a status report to the BIC and fulfill the commitment to stakeholders made at the Management Committee.

Regulatory Approval

- The Capacity Export Proposal was filed with the FERC on November 30, 2016. On January 27, 2017 FERC issued an Order largely accepting the NYISO's proposed tariff provisions. However, FERC rejected the proposal's one-year 80% transition factor for exports from the G-J Locality to ISO-NE due in large part to a lack of analytical basis. FERC directed the NYISO to submit a compliance filing to eliminate the 80% transition rule and the NYISO did so in February.
- Overall, FERC found that "that the proposed methodology is just and reasonable because it corrects a pricing inefficiency in NYISO's ICAP market design. NYISO's proposed methodology will now recognize that an exporting generator continues to operate within its Locality, which would be reflected in the ICAP Spot Market Auction clearing prices by accounting for the portion of exported capacity that can be replaced by capacity located in Rest of State. Therefore, [it] will ensure that prices within the Localities reflect actual market conditions and prices."

Software/Process Implementation

- The NYISO has completed the necessary software and process modifications to implement the new methodology.

NE Auction Outcomes

- ISO-NE posted the results of its 3rd Annual Reconfiguration Auction March 17, 2017. Resource specific information is not publicly available. However, there was 79.2MW of supply offered in the Reconfiguration Auction across the NY AC Ties and only an additional 1.8 MW of supply cleared. The ISO-NE monthly auctions still remain to be run.

Stakeholder Design Discussions

- Stakeholder discussions occurred at the January BIC, January 27th ICAPWG and March 22nd ICAP WG.

- Regarding the Locality Exchange Factor, the NYISO has engaged GE to evaluate a probabilistic based approach as compared to the deterministic evaluation designed in 2016 and accepted by FERC. GE presented in January and March on the modeling work completed. The next discussion with GE is scheduled for the April 19th ICAPWG and will include preliminary results. Broader discussion with stakeholders of the probabilistic analysis and the relative merits as compared to the deterministic approach is expected to be a continued area of review.
- The NYISO suggests that the topics of Imports into Localities, Payments to Capacity Exporting Generators, and Capacity Resource Interconnection Service (CRIS) Rights Review be considered as part of the 2018 Project Prioritization Process.

Next Steps

The NYISO will continue work with GE and facilitate stakeholder discussions regarding the probabilistic analysis for determining the Locality Exchange Factor.

On or before June 1, 2017, the ISO plans to file an informational report on this topic with the Commission, as the work completed to date does not indicate that Tariff amendments will be identified by that date.