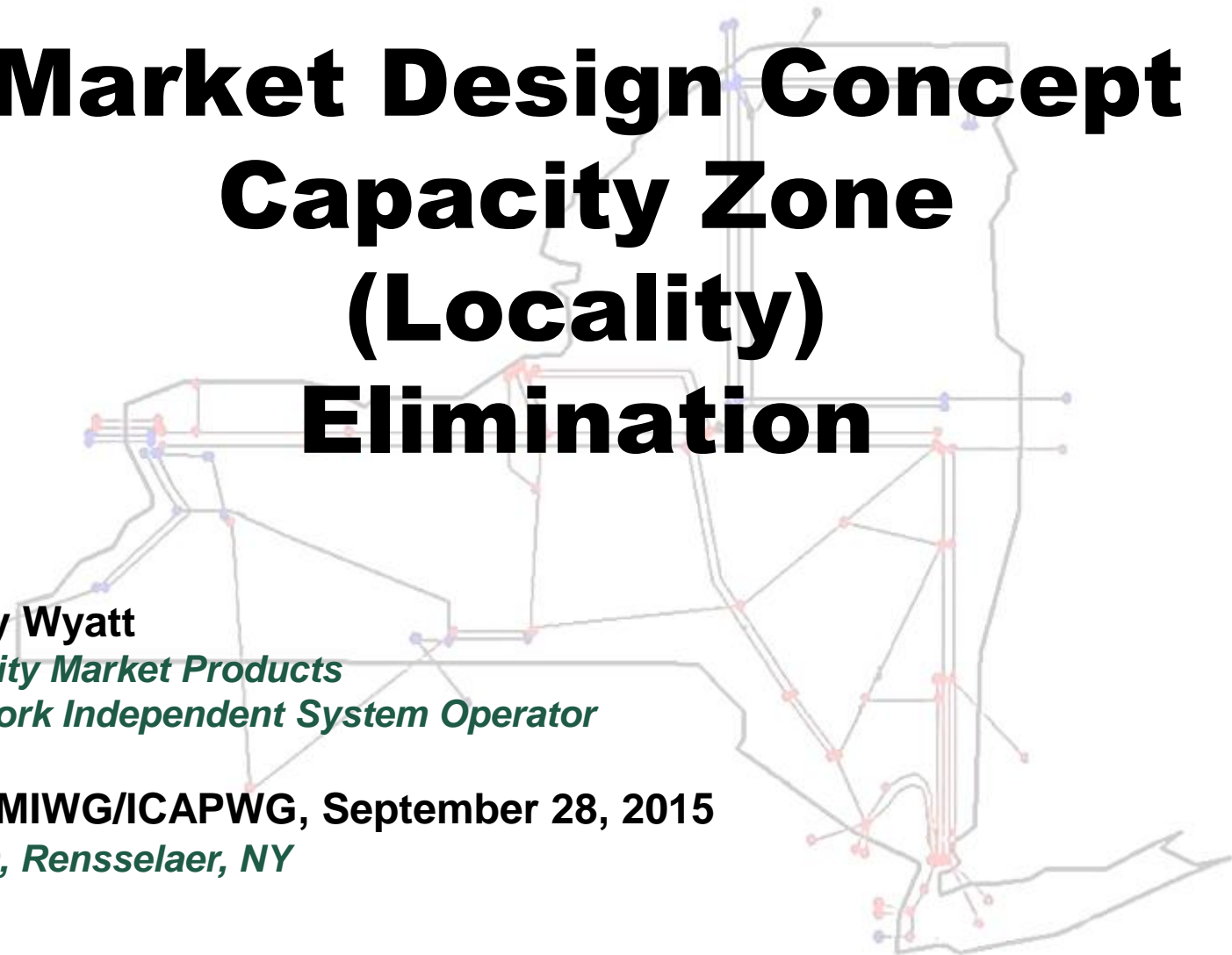


Market Design Concept Capacity Zone (Locality) Elimination

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NYISO, Rensselaer, NY



Agenda

- ◆ **Continue discussions on developing market design concepts to eliminate capacity zones (Localities)**
 - *Review of Guiding Principles and System Planning Based Criteria to Eliminate, presented at July 8, 2015 MIWG/ICAPWG*
 - *Revised Headroom and Persistence Thresholds*
 - *Mitigation Proposal Upon Zone Elimination*

Zone Elimination Design - Guiding Principles

- ◆ **Provides for Market Certainty**
 - *Minimizes likelihood of eliminating a Locality that will likely be re-created in the near term*
 - *Results from a rule that is readily predictable, based on a replicable test, and has a transparent process*

- ◆ **Minimizes inefficient outcomes and barriers to entry**
 - *Creation occurs after the barrier to investment is evident*
 - *Elimination threshold and other criteria should avoid creating barriers to investment*

- ◆ **Applies only to Localities created based on NCZ Study findings (*i.e.*, the deliverability test)**

Deliverability Based Trigger

Candidate Triggers for Zone (Locality) Elimination

- ◆ **Deliverability constraints are no longer binding by a substantial MW margin (i.e., headroom), and for a significant time duration**
 - *Incremental MW of interface deliverability capability (headroom) has been created to eliminate the likelihood that the interface will become constrained within the horizon period*
 - *Ensures stability because the market structure would not constantly oscillate between capacity zone elimination and creation*

Revised Eliminate Methodology

- ◆ Eliminate the zone based on 2 different deliverability studies
 - A) *A deliverability study using the elements of the NCZ Study, but including examining the former Highway constraint that gave rise to the creation of the Locality and Localities that are expected to exist if the studied/subject Locality is eliminated*
 - *e.g. for the G-J Locality, the UPNY – SENY Interface would be modeled as a Highway, and ROS would be modeled as Zones A through I*
 - *This prong of the test would be satisfied if it shows that the former highway is not binding.*
 - and*
 - B) *A deliverability study based on the “as found” system indicates the that the binding highway constraint that gave rise to the creation of the Locality has headroom that exceeds the headroom threshold*
 - *e.g. UPNY-SENY headroom > elimination headroom threshold*
- ◆ **If both (A) and (B) above are satisfied, eliminate the Locality.**
- ◆ Persistence is now addressed by having two different time horizons in the (A) and (B) deliverability studies

Proposed Revision to the Locality Elimination Triggers

- ◆ **What MW margin (headroom) threshold is required as an element of elimination?**
 - *Equal to the size of the largest single contingency in the Locality at the time the zone is created*
 - Indian Point Unit 3 CRIS = 1040.4 MW

- ◆ **How often will elimination be evaluated?**
 - *Same as previous proposal: every 3 years, coordinated with the NCZ Study and the Demand Curve reset*

Mitigation Proposal Upon Zone Elimination

- ◆ **BSM Offer Floor is permanently removed**
 - *Inappropriate to continue BSM measures in what is now an unmitigated zone*
 - *E.g., Unit X has an Offer Floor in the G-J locality. 6 years later, the zone is eliminated: Unit X is no longer subject to an Offer Floor*

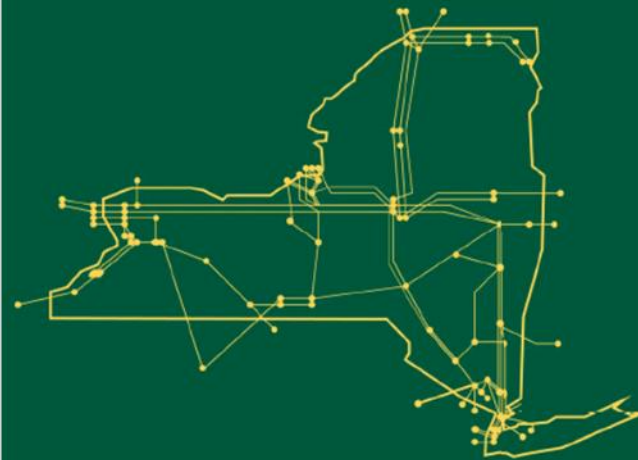
- ◆ **Supplier Side Mitigation: Pivotal Supplier/physical withholding rules would be removed**
 - *Inappropriate to continue supplier side mitigation measures in what is now an unmitigated zone*

Next Steps with Stakeholders

- ◆ Continue discussion of top level concepts
 - *Elimination Triggers*
 - *Mitigation Design*
 - *Other?*

- ◆ BIC concept vote in the fall

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