Default Reference Price Reports / Buyer-Side Mitigation Processes (other than SCRs)

Dave Lawrence
Manager, Auxiliary Market Products
Esat Serhat Guney
Senior Economist, Market Analysis and Mitigation

New York Independent System Operator

Installed Capacity Working Group
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Default Reference Price SCR Figures

- Several Market Participants have noted differences between the SCR MW reported on the NYISO's Default Reference Price webpage and the SCR MW on the monthly SCR registration reports.
  - *For example, figures for the February auction period were 585.6 MW as reported on the Default Reference Price page and 367.9 MW shown in the monthly SCR registration report.*
- The SCR MW contained in the monthly SCR registration report are the number of SCR MW registered for the period covered by the report.

Default Reference Price SCR Figures

- The ICAP AMS currently uses the same data representation for SCRs and UDRs.
- The totals reported on the default reference price webpage under the heading “NYC SCR UCAP” are consistent with this modeling.
- As part of the March ICAP AMS software deployment, SCR and UDR data modeling will no longer be linked.
- Beginning with the April default reference level calculation:
  - *the SCR totals on both the default reference price webpage and the SCR monthly report will reflect only SCRs, and*
  - *all other UCAP totals will appear on the default reference price page under the column labeled “NYC Gen UCAP”.*
- The calculation of the default reference price has been and will be unaffected by the change in database modeling.

Buyer-Side Mitigation Summary (not SCRs)

- Buyer-side mitigation consists of an Offer Floor on the Spot Market Auction offer price for all new supply entry into NYC.
- The default Offer Floor is set to 75% of the Net Cost of New Entry, or Net CONE, of the NYC demand curve.
- The Offer Floor applies to offers for:
  - *(a) each of the six Capability Periods starting with Initial Capability Period, or*
  - *(b) the period of years if longer determined by Initial DMNC value of the ICAP Supplier + Surplus Capacity at the time of Initial Capability Period divided by the average annual growth in MW of Locational Minimum ICAP requirement for the NYC over the six Capability Periods preceding the Initial Capability Period. Att. H Section 4.5(g)*

Buyer-Side Mitigation Summary (cont'd)

- The buyer-side mitigation rule requires that new capacity subject to an Offer Floor can only be offered into the Spot Auction. (That is, it cannot be sold in any other auction, self supplied, or certified in a bilateral transaction.) This requirement is to ensure capacity is not sold below the Offer Floor.
- There are two ways in which an Installed Capacity Supplier can be exempt from the Offer Floor, and one by which the Offer Floor would be reduced.

Two Ways to be Exempt

- Section 4.5(g)(ii), Attachment H:
  - An Installed Capacity Supplier shall be exempt from an Offer Floor if
    - *"(a) any ICAP Spot Market Auction price for the two Capability Periods beginning with the first Capability Period for any part of which the Installed Capacity Supplier is reasonably anticipated to offer to supply UCAP (the "Starting Capability Period") is projected by the ISO to be higher, with the inclusion of the Installed Capacity Supplier, than the highest Offer Floor based on Net CONE that would be applicable to such supplier in such Capability Periods," or*
    - *"(b) the average of the ICAP Spot Market Auction prices in the six Capability Periods beginning with the Starting Capability Period is projected by the ISO to be higher, with the inclusion of the Installed Capacity Supplier, than the reasonably anticipated Unit Net CONE of the Installed Capacity Supplier".*

- That is, exemption is granted if:
  - (a) Any Spot price for the two Capability Periods projected to be > the Offer Floor (= 0.75 x Net CONE), or
  - (b) Average of the Spot prices for the six Capability Periods projected to be > reasonably anticipated Unit Net CONE.

Exemption Calculation

- The Offer Floor exemption calculation in 4.5 g(ii) is based on:
  - *(a) NYC ICAP Spot market price forecasts for which the ISO will use the demand curve prices, factoring in planned generator retirements and additions (including the resource for which the exemption analysis is being performed) using reliable information available at the time of the analysis including but not limited to the NYISO Gold Book, the interconnection queue, SCR forecasts, and load forecasts, and*
  - *(b) the determination of the Unit Net CONE from the characteristics of the new unit under consideration and the information provided by the Developer or Interconnection Customer, which include data pertaining to:*
    - Unit technology
    - Primary/secondary fuel
    - Emissions control equipment
    - Labor costs for routine operations and maintenance
    - Materials and contract services
    - Administrative and general expenses
    - Avoidable pollution control costs not already incurred

Exemption Calculation (cont'd)

- The inputs used to calculate the ICAP Spot Market Auction price in 4.5g(ii)(a) and (b) include:
  - *Demand-side inputs*

	Source
• NYC load forecast	"Gold Book", table 1-2a, w/ conservation or final ICAP forecast as presented to the Load Forecast Task Force
• NYC locality requirement	Locational Minimum Installed Capacity Requirements Report
• NYC demand curve Net CONE ("Reference Point")	MST Sec. 5.14.1(b)
• ICAP/UCAP translation factor	Capability Period average EFORd
• Demand curve zero crossing	MST Sec. 5.14.1(b)

  - *Supply-side inputs*

• Existing capacity	Gold Book, table III-3a
• Capacity additions	
• Expected new entrant	Gold Book tables IV-1 and VII-1, or more recent information
• Other expected additions	Gold Book tables IV-1 and VII-1, or more recent information
• Capacity retirements	Gold Book table IV-3, or more recent information
• Seasonal average of SCR UCAP available	"Special Case Resource Monthly Report" on NYISO website

Exemption Calculation (cont'd)

- Offer Floor based on Unit Net CONE: 4.5(g)(ii)(b)
  - *Unit Net CONE is net of likely projected annual Energy and Ancillary Services revenues, as determined by the ISO, translated into a seasonally adjusted monthly UCAP value using an appropriate class outage rate.*
  - *If an Installed Capacity Supplier demonstrates to the NYISO that its Unit Net CONE is less than any Offer Floor that would otherwise be applicable to the Installed Capacity Supplier, then its Offer Floor will be reduced to its Unit Net CONE.*

Recognizing Seasonal Capacity Impact

- For the default Offer Floor (0.75*Net CONE, Att. H Section 4.5g(ii)(a)), the summer and winter adjustment is computed as:
  - *For summer, the default Offer Floor is 0.75*the UCAP equivalent of the values contained in Section 5.14.1(b) of the Market Services Tariff.*
  - *For winter, the default Offer Floor is equal to the summer default Floor price * K:*
    - $K = (1 – (W/S_{ratio} – 1)/(DC_{length} – 1))$, where
      - W/S_{ratio} = NYC capacity winter-to-summer ratio as determined by the most recent NYCA Load and Capacity Data Report, including SCRs
      - DC_{length} = Zero-crossing point of the NYC demand curve, expressed in percent (currently 118%)

Recognizing Seasonal Capacity Impact (cont'd)

- In comparing Unit Net CONE to the average of the ICAP Spot Market Auction prices in the six Capability Periods beginning with the Starting Capability Period (Att. H, Sec. 4.5g(ii)(b)), the winter-to-summer adjustment calculation included in Section 5.4 of the ICAP Manual is used:

$$SARP_n = \frac{AGFC_n}{6 \cdot \left(1 + R_n \cdot \frac{DCL - R}{DCL - 1}\right)}$$

and

$$WARP_n = SARP_n \cdot \frac{DCL - R}{DCL - 1},$$

Where:

$SARP_n$ is the adjusted UCAP Offer Reference Level during each month of the Summer Capability Period for Generator n;
$AGFC_n$ is the annual Going Forward Cost for Generator n;
R_n is the ratio of (1) the winter generating capacity of Generator n to (2) the summer generating capacity of Generator n;
DCL is the ratio of (1) the amount of In-City ICAP at which the demand curve reaches a zero price to (2) the In-City ICAP requirement;
R is the ratio of (1) the sum of the winter generating capacities of all In-City generation to (2) the sum of the summer generating capacities of all In-City generation; and
$WARP_n$ is the adjusted UCAP Offer Reference Level during each month of the Winter Capability Period for Generator n.

The New York Independent System Operator (NYISO) is a not-for-profit corporation that began operations in 1999. The NYISO operates New York's bulk electricity grid, administers the state's wholesale electricity markets, and provides comprehensive reliability planning for the state's bulk electricity system.

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