

Addressing the Near-term VSS Issues



NYISO Market Structures Working Group
March 4, 2005

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From the MC Resolution 10/04

- **Maintain current rate of \$3919/MVAr-yr for 2005 compensation year**
- **Review of compensation basis**
 - *Capability basis (MVAr)*
 - *Cost basis (\$\$\$)*
- **MSWG to report recommendations end of 1st Q 2005**
 - *Tariff revisions to implement mid-year 2005 for 2006*
 - *Ancillary Services manual revisions to implement clarifications and revise testing procedure need to be in place early in Summer 2006 capability period*

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Separating the Issues

- **Determination of compensation basis (MVA_r)**
 - *Change basis from gross-lag, to net-range*
- **Determination of compensation rate (\$\$)**
 - *Update the OATT Rate Schedule #2 Revenue Requirement to include new capacity or inflation?*
- **Clarify testing requirements**
 - *When to schedule/perform test*
 - *How to report test data*



NYISO Staff Recommendation “*NET MVAR Capability Range*”

- Reactive capability “*range of control*”
 - *Include lagging and leading capability*
- Gross vs. Net Reactive capability
 - Net capability *is a better indication of the contribution to the system and consistent with ICAP and energy (MW) metering/settlement*



Determination of Reactive Resources

- Existing (Gross-lag)
 - 18500MVA_r (est.)
 - 15842MVA_r (actual)
- Differences result from
 - “not every unit” participating
 - Optimistic assumed capability
- Proposed (Net-range)
 - *Estimated capability*
 - Net-lag 16,850MVA_r
 - Net-lead 5,740MVA_r
 - *test data represents approx. 60% installed*
- Net-range is sum of the lead and lag
 - 22,640MVA_r

Basis of Compensation Rate

- **Current rate was determined in 2001**
- **Update 2001 analysis**
 - *Allowance for O&M, capital, other factors*
 - *Include similar costs associated with new facilities*
- **Cost of providing VSS on a capability basis**

VSS Rate Calculation (review)

- From the 12/2001 FERC filing
 - *2002 Adjusted Revenue Requirement* **\$61M**
 - *“system average power factor”* **92%**
 - *Calculated Reactive Resources* **15573MVA_r**
 - *Rate for 2002 compensation year*
\$3919/MVA_r-year

VSS Rate Calculation (updated)

- **Using the 12/2001 FERC filing methodology**
 - *recalculate the power factor based on most recent test data reported (2004)*
 - *adjust the Revenue Requirement for new capacity installed since 2002*
 - *(in parallel) calculate revenue requirement adjusted for inflation*

Sample Rate Recalculation

	2002	2005 (est.)	2005 (est.) w/inflation
Adj. Revenue requirement	61.036M\$	66.557M\$	76.157M\$
Avg. power factor	92%	90.7%	90.7%
MW-inst.	36558	39850	39850
MVAr-est.	15573	18500*	18500
\$/MVAr-year	\$3919	\$3597	4115

** 72.5M\$ at existing \$3919 rate*

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Clarify Testing Requirements

- All testing performed during *Summer* period
- Participants must submit supporting data electronically using NYISO form
 - *Include reporting of 5min readings for all quantities*
 - *MW, MVAR, gross and net during test hour(s)*
- Update Manual and TB's appropriately for S'05
- *Anticipate changing Requirements consistent with NERC Standards Development process*
 - *Change from annual to ???*
 - *May require additional test points in future*

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