

MMA Overview of Operating Reserves Reference Levels and Mitigation

Cinto Pascazio

Supervisor, Mitigation References

New York Independent System Operator

Market Issues Working Group

March 2, 2012

Agenda

- **Reference Level Development**
- **Conduct Test**
- **Impact Test**
- **Mitigation Measures**

At previous MIWG meeting, Market Participants requested a presentation on reference level development and the existing Mitigation Measures.

Reference Level Development

Real Time

- **Currently, generators are precluded from assigning an availability bid to the three operating reserve products in real-time (10-minute spinning reserves, 10-minute non-synchronous, and 30-minute reserves).**
- **Because generators are not permitted to submit a real time availability bid, the NYISO does not currently calculate real time references for these products.**

Reference Level Development

Day Ahead

- **The methods available to the NYISO for developing operating reserve reference levels are Att. H Sections 23.3.1.4.1.1 (bid-based), 23.3.1.4.1.3 (operating cost as a result of consultation), or 23.3.1.4.2 (ISO estimate of costs).**

- **DAM 10-Minute Non-Sync Reserves reference levels are subject to the \$2.52 reference cap in Section 23.3.1.4.5. of Att. H.**

- **Bid based reference levels are be calculated using data from competitive periods.**
(Constrained hours, SRE/DARU periods, holidays, off peak hours are excluded).

Reference Level Development

- **Reference levels are viewable in the Reference Level System (RLS) by any Market Participant with bidding privileges.**
- **Market Participants are responsible for bringing to the NYISO's attention any potential issues with reference levels.**
- **Submit a request through the your Customer Service Representative.**

Conduct Test

- **If an Operating Reserve bid is greater than 300% above reference, or greater than \$50 per MW above reference, whichever threshold is tighter, then the bid fails the conduct test.**
- ***Bids below \$5 do not constitute economic withholding.***

Impact Test

- **Impact test is performed by replacing the conduct failing bid with the reference and re-running the commitment software to determine what the LBMP would have been if the original offer had been submitted at the reference.**
- **The LBMP from the market re-run is compared to the original LBMP to determine if the impact test is violated.**

Impact Test

- **The impact threshold is an LBMP increase of 200% or \$100/MWh, whichever is lower.**
- **Mitigation for all ancillary services is performed manually.**

Lower Threshold Monitoring

- **The NYISO also monitors conduct at lower thresholds to determine if the standard mitigation measures are not sufficient.**
- **The NYISO may be required to submit a Federal Power Act (FPA) Section 205 filing to FERC if it identifies bids that depart significantly from the behavior that would be expected under competitive market conditions, but that does not fail the standard conduct (Mitigation Measures Section 23.3.1.2) and/or impact (Mitigation Measures Section 32.3.2.1) thresholds.**
- **If sufficient material market impact is found (a 100% increase in LBMPs or guarantee payments) as a result of a bid that departs significantly from conduct that would be expected under competitive market conditions, the NYISO must file with FERC and propose a new mitigation measure under FPA Section 205.**

Mitigation Measures

- **If the market impact test is violated, the NYISO's Market Mitigation & Analysis (MMA) would initiate a consultation with the Market Participant to determine if the relative bid offered was expected of a competitive supplier under competitive conditions.**
- **At that time, the Market Participant would be given the opportunity to provide any documentation to justify the offer made.**
- **If that bid is not determined to have been made under competitive conditions, Mitigation would be applied.**
- **MMA is required to consult with the Market Monitoring Unit (MMU) prior to application of any mitigation measure.**

Mitigation Measures

- **Mitigation of Ancillary Service bids is applied prospectively for a period of up to 6 months.**
- **Generator violating conduct and impact tests would be precluded from submitting bids above reference for a period of time determined by the MMA, in consultation with the MMU.**

Summary

➤ **Reference Level Development**

- *Predominately Bid Based during competitive periods*
- *\$2.52 Reference Cap for DAM 10-Min NS*
- *MPs should “keep an eye on ”references*

➤ **Conduct Test**

- *Greater than 300% or \$100*

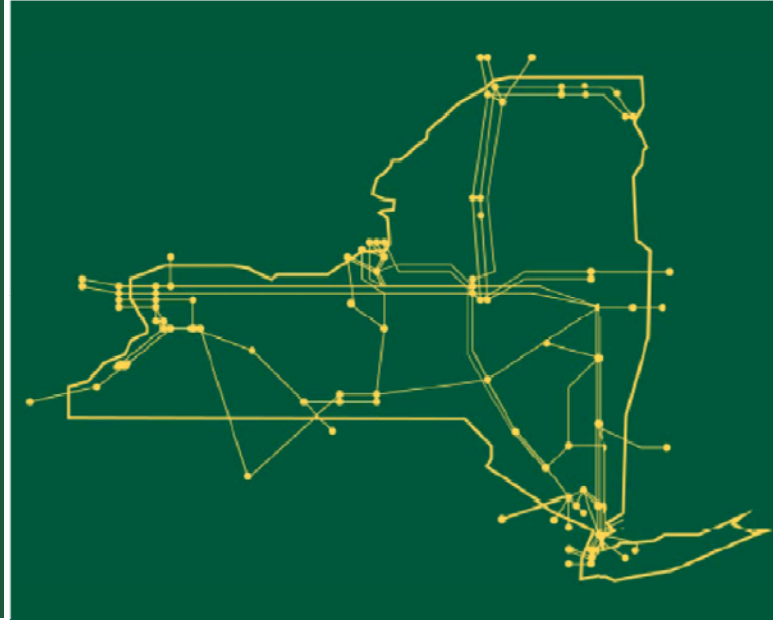
➤ **Impact Test**

- *Manual calculation of 200% or \$100*

➤ **Mitigation Measures**

- *Prospective only consisting of disallowing bids above reference*
- *MMA consults with MMU to determine appropriate mitigation*

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