New Capacity Zone Update

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Installed Capacity Working Group
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Draft – For discussion only

Overview

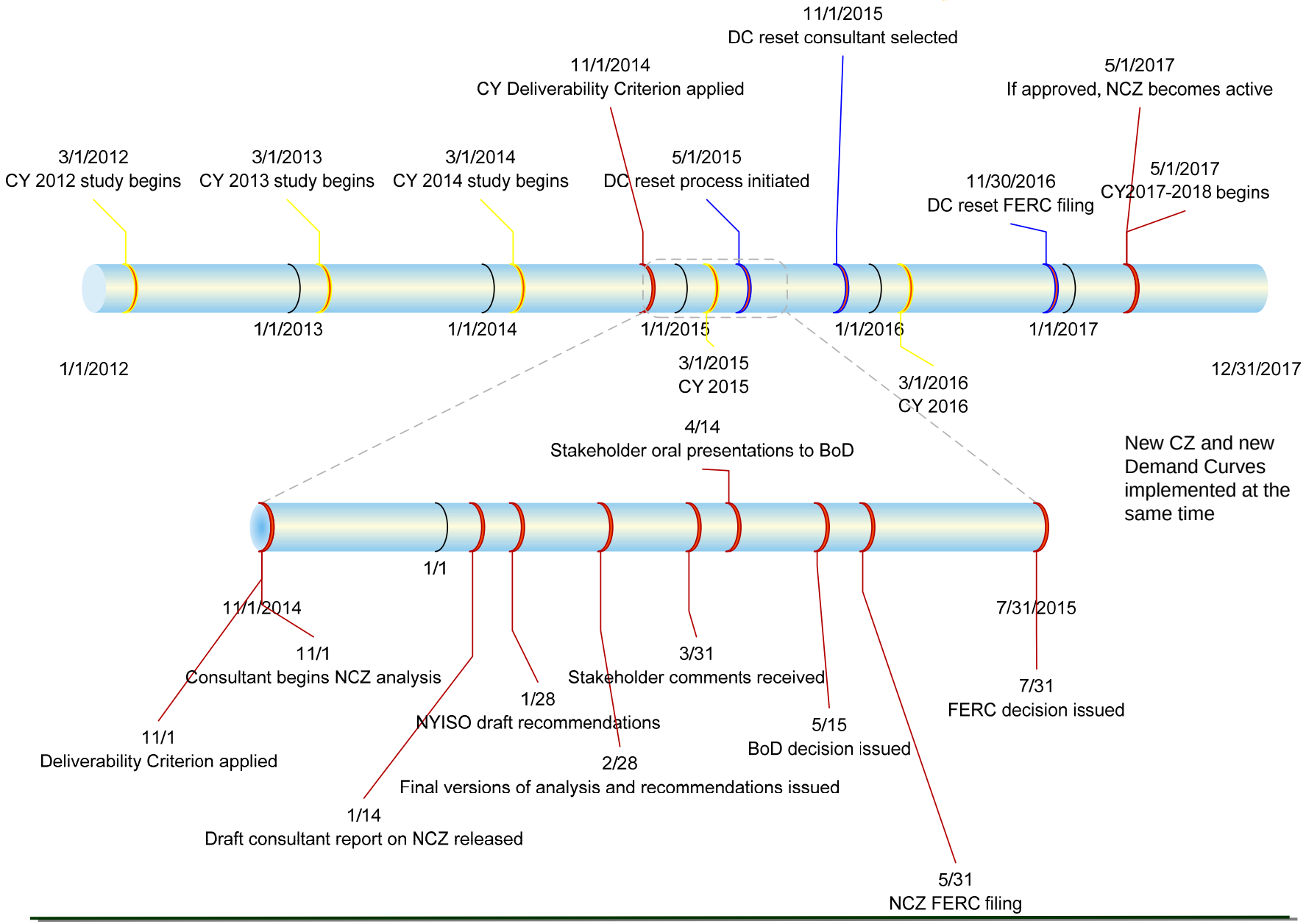
- Status of January 4th FERC filing.
- Process timeline modifications based upon feedback from the 11/9 ICAPWG meeting.
- Considerations in evaluating the need for a new Capacity zone.
- Tariff sections potentially impacted by new Capacity zones.
- Process to evaluate and create new capacity zones.

January 4th FERC Filing

- The NYISO plans to include in its January 4th compliance filing
  - *the deliverability criterion for a new Capacity zone(s),*
  - *the timeline for evaluating the threshold criteria for new Capacity zones,*
  - *the timeline for evaluating additional considerations if the threshold criterion is met,*
  - *additional considerations that would be evaluated and the manner in which they would be evaluated, and*
  - *an identification of tariff sections potentially impacted by the creation of a new Capacity zone.*

Process Timeline Modifications

- Move start of 3-year cycle up from December to November
  - *Timing would enhance opportunity to obtain FERC decision by late July, aligning better with IRM cycle.*
- Move activation date of new Capacity zone to the start of the 3-year period when newly-approved Demand Curves are in place.
- For deliverability criterion, consider multi-year violation requirement:
  - *Two out of three most recent CY Deliverability studies, including the most recent, indicate the same interface has insufficient headroom.*


11/1/2015
DC reset consultant selected
11/1/2014
CY Deliverability Criterion applied
5/1/2017
If approved, NCZ becomes active
3/1/2012
CY 2012 study begins
3/1/2013
CY 2013 study begins
3/1/2014
CY 2014 study begins
5/1/2015
DC reset process initiated
11/30/2016
DC reset FERC filing
5/1/2017
CY2017-2018 begins
1/1/2013
1/1/2014
1/1/2015
1/1/2016
1/1/2017
1/1/2012
3/1/2015
CY 2015
3/1/2016
CY 2016
12/31/2017
4/14
Stakeholder oral presentations to BoD
New CZ and new Demand Curves implemented at the same time
1/1
11/1/2014
11/1
Consultant begins NCZ analysis
7/31/2015
3/31
Stakeholder comments received
1/28
NYISO draft recommendations
7/31
FERC decision issued
11/1
Deliverability Criterion applied
5/15
BoD decision issued
2/28
Final versions of analysis and recommendations issued
1/14
Draft consultant report on NCZ released
5/31
NCZ FERC filing

Considerations in Evaluating the Need for a New Capacity Zone

- Reliability
- Consumer impact
- CONE
- Market power issues

Reliability

- Several stakeholders suggested that the NYISO's Reliability Needs Assessment (RNA) should be used to determine the need for a new Capacity zone.
- The NYISO agrees that such a linkage would provide a method of identifying reliability-based conditions that could indicate a need for new Capacity zones, separate from the proposed deliverability criterion.
- NYISO's OATT (Sec. 31.2.2.5 and 31.2.2.6) defines the process for identifying alternate reliability scenarios within an RNA study. Scenarios that result in a projected LOLE violation may warrant the creation of a new Capacity zone(s).

Consumer Impact

- The NYISO proposes to calculate price impacts associated with the addition of a new Capacity zone as a measure of impact to consumers
  - *Scenario analysis with and without new zones using publicly-available forecast data and adjusting various Demand Curve parameters.*
  - *Similar to that presented in the NYISO's Demand Curve Reset Recommendations report.*
  - *Will consider developing LOLE vs. cost curve for specific scenarios.*

Cost of New Entry

- The NYISO proposes that CONE differences for substantially similar technologies be considered in the formation of any new Capacity zone, as presented at the October 29th ICAPWG meeting.
- The CONE difference, or more appropriately, the lack of it, would inform the decision to move forward with a new Capacity Zone.

Market Power Issues

- Currently only the NYC Zone is subject to Capacity market buyer and seller mitigation, as required and approved by FERC due to buyer and seller concentration and existence of several pivotal suppliers.
- When (if) a new zone is needed, buyer and seller concentration and the potential for pivotal suppliers will be examined.
- Appropriate mitigation measures will be proposed to address the conditions in the new zone if conditions warrant.
- Potential buyer or seller market power would not be a reason for not establishing a zone that is needed.

Tariff Sections Potentially Impacted by New Capacity Zones

- Sections of the OATT and Services Tariff that need to be reviewed in relation to the creation of new Capacity zones include, but are not limited to, those shown on the following five slides.

Services Tariff

- Definitions:
  - *2.9 - **Interface**: A defined set of transmission facilities that separate Load Zones and that separate the NYCA from adjacent Control Areas.*
  - *2.12 - **Locality**: A single LBMP Load Zone or set of adjacent LBMP Load Zones within one transmission District within which a minimum level of Installed Capacity must be maintained.*
  - *2.13 - **Market-Clearing Price**: The price determined in an Installed Capacity auction for each ISO-defined Locality, the remainder of the NYCA and each adjacent External Control Area for which all offers to sell and bids to purchase Unforced Capacity are in equilibrium.*
  - *2.18 - **Rest of State**: The set of all non-Locality NYCA LBMP Load Zones. As of the 2002-2003 Capability Year, Rest of State includes all NYCA LBMP Load Zones other than LBMP Load Zones J and K.*
  - *2.21 - **Unforced Capacity Deliverability Rights**: Unforced Capacity Deliverability Rights ("UDRs") are rights, as measured in MWs, associated with new incremental controllable transmission projects that provide a transmission interface to a NYCA Locality (i.e., an area of the NYCA in which a minimum amount of Installed Capacity must be maintained). When combined with…*

Services Tariff

- 5.11.4 - The ISO will determine the Locational Minimum Installed Capacity Requirements, stated as a percentage of the Locality's forecasted Capability Year peak Load and expressed in Unforced Capacity terms…
- 5.14.1.2 - Demand Curve and Adjustments
- 5.14.3.2 - Installed Capacity Rebates

OATT Attachment S

- 25.12 – Definitions
  - *Capacity Region*
  - *External CRIS Rights*
  - *Highways [refers to ISO Procedures]*
  - *Other Interfaces*
- 25.3.1 - Scope & Purpose of Deliverability Interconnection Standard
- 25.7.1 - CRIS – Cost Allocation among developers in Class Year
- 25.7.2 - Categories of Facilities
- 25.7.3 - Class Year Capacity Region
- 25.7.4 - Participation in Capacity Market

OATT Attachment S

- 25.7.8 - Deliverability Test Methodology
- 25.7.8.1 - Definition of NYCA Deliverability
- 25.7.9 - Other Interfaces—"No Harms Test"
- 25.7.11 - External CRIS Rights
  - *25.7.11.1.4.2 - Requesting External CRIS Rights through Class Year Deliverability Study*
  - *25.7.11.1.4.2.2 - Requests for External CRIS Rights will be evaluated for deliverability within appropriate Capacity Region, depending on applicable External Interface; maximum External CRIS Rights dependent upon applicable import limit/External Interface*
  - *25.9.2 - Once Developer posted security for SDUs, has no responsibility for additional for the cost of additional SDUs (with limited exception)*
  - *25.9.3.1 - Retaining CRIS Status, including grandfathering of pre-Class Year 2007 projects*

OATT Attachment X

- Section 30.1, also Large Generator Interconnection Agreement, Article 1:
  - ***Capacity Region*** *shall mean one of three subsets of the Installed Capacity statewide markets comprised of Rest of State (Zones A through I), Long Island (Zone K), and New York City (Zone J).*
  - ***Byway*** *shall mean all transmission facilities comprising the New York State Transmission System that are neither Highways nor Other Interfaces. All transmission facilities in Zone J and Zone K are Byways.*
  - ***Highways*** *[refers to ISO Procedures]*
  - ***Other Interfaces*** *shall mean interfaces into New York capacity regions, Zone J and Zone K, and external ties into the New York Control Area.*

Process to Evaluate and Create a New Capacity Zone(s)

- The NYISO plans to draft tariff language for a process that would be followed to evaluate and create a new Capacity zone
  - *Tariff language on process will be along the lines of what was discussed at the November 9 ICAPWG meeting, i.e., similar to the Demand Curve reset process.*
  - *NYISO proposes to use the normal governance process for vetting and approval of the tariff language.*

Next Steps

- ***Written comments on this presentation and any other new Capacity zone issues should be submitted by COB December 8.***
  - *Comments should be sent to Pete Lemme at plemme@nyiso.com*
  - *Clearly indicate whether the comments can be posted or whether they should be treated as confidential.*

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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