

Market Services Tariff Updates: Fuel Cost Adjustments and Min Oil Burn Compensation Program

Nicholas Shelton
Mitigation Reference Analyst

Market Issues Working Group

07/19/2017, Rensselaer, NY



Agenda

■ Proposed Market Services Tariff Revisions

- Section 23: Attachment H
 - Changes to the review process for Real-Time Fuel Cost Adjustments (“FCAs”) (Section 23.4.3.3.3)
 - Changes to the 7-Day Bias Test (Section 23.3.1.4.6.9)
- Section 4: Market Services – General Rules
 - Clarification of NYISO obligations in administering the Min Oil Burn Compensation program (Section 4.1.9.2)

Attachment H Revisions

Fuel Cost Adjustment Updates

Fuel Cost Adjustments Background

- FCAs allow generators to submit a fuel type and/or price along with their energy offers
- If the FCAs are validated using posted thresholds¹, the generator's Incremental Energy and Min Gen Reference Levels are updated to reflect the submitted fuel type and/or price
- Market Mitigation & Analysis (MMA) reviews all FCAs in accordance with the Services Tariff

1. http://www.nyiso.com/public/webdocs/markets_operations/services/market_monitoring/Fuel_Entry_Thresholds/Fuel_Entry_Thresholds/Fuel%20Entry%20Thresholds%20DA%20and%20RT%20Effective%204-4-2017.pdf

Fuel Cost Adjustment Penalty

- If the FCA fails the conduct and impact tests described in Section 23.4.3.3.3 of the Services Tariff, the Market Participant may be subject to penalty
- The penalty is calculated according to the formulas in Sections 23.4.3.3.3.3 and 23.4.3.3.3.4 for the Day-Ahead and Real-Time markets respectively

Fuel Cost Adjustment Penalty

- **Currently, the MST-specified Day-Ahead Impact Test requires rerunning the market to determine the dollar impact of the FCA on LBMPs**
 - Reruns use the higher of a revised Reference Level calculated using actual, demonstrated fuel costs or the NYISO's reference level without the FCA
 - Conduct and Impact are tested using the thresholds specified in Sections 23.3.1.2 and 23.3.2.1 of the Mitigation Measures
- **The current Real-Time Impact Test assumes that generator FCAs have impact if the RT LBMP falls between:**
 - The higher of (a) revised Reference Level calculated using actual, demonstrated fuel costs, or (b) the NYISO's reference level without the FCA
and
 - The reference level with the FCA that the Market Party submitted
- **The real-time penalty calculation does not test the impact on RT LBMP based on market reruns. It determines impact using the comparison described above.**

Fuel Cost Adjustments - Proposed Revisions

- NYISO now has the capability to efficiently re-run the Real-Time Markets
- NYISO proposes to change the Real-Time impact test and penalty calculation for misuse of the FCA functionality to align with the more precise Day-Ahead impact test and penalty calculation

Attachment H Revisions

7-Day Bias Test Updates

7-Day Bias Test Background

- **MMA reviews generators' FCAs over the prior seven days to determine if there is any tendency toward an upward bias**
 - Bias is defined in Sections 23.3.1.4.6.9.5 and 23.3.1.4.6.9.6 of the Mitigation Measures
 - FCAs are considered biased if, over the past seven days, the submitted fuel price and/or type exceeds the higher of the NYISO's indexed fuel price or the generator's actual cost by more than 10%, on average.
- **If submitted FCAs were biased in the Market Party's favor, or if a FCA was inaccurate and its market impact required imposition of a penalty, the NYISO must cease using the Market Party's FCAs to revise Reference Levels for a specified period of time**
 - Section 23.3.1.4.6.9 of the Mitigation Measures

7-Day Bias Test Concerns

- Reviewing FCAs from the prior seven days does not ensure that enough data is available to draw conclusions about tendencies toward upward bias
- The 10% threshold used in screening for bias has become increasingly restrictive as natural gas prices have decreased
 - 10% of a \$2.00/MMBtu natural gas price is a very tight threshold
- FCAs, submitted in good faith, may exceed the NYISO's indexed fuel price and the generator's actual fuel cost due to unexpected developments
 - Attachment H currently obligates NYISO to cease permitting the generator to use FCAs to revise its Reference Levels for up to 180 days

7-Day Bias Test Proposed Revisions

- Instead of reviewing FCAs submitted over the prior seven days, review all of a generator's FCA submittals over the previous 90 days as long as FCAs were submitted for at least 100 hours
- Rather than using a 10% threshold to identify bias, use the greater of 10% or \$0.50/MMBtu
- Allow the Market Party an opportunity to demonstrate to the NYISO and MMU that the FCAs were consistent with competitive behavior even when the difference between the FCA and the actual fuel cost exceeds the proposed threshold

Market Services – General Rules Revisions

Min Oil Burn Updates

Min Oil Burn Proposed Revisions

- **Clarify the information that must be submitted for a Market Participant to receive accurate compensation**
 - Market Participant to submit updated tax rates
 - Market Participant to submit updates for any other cost components
- **Revisions to Services Tariff Section 23.4.3.3.3 to remove NYSRC numeric rule designation**
 - Prevents NYISO Tariff from citing legacy NYSRC rule numbers in the future
- **MMA will use the most up-to-date data in its possession to calculate the payments for the Min Oil Burn program**

Next Steps

- Review feedback
- August MIWG
 - Provide draft Tariff revisions
- September BIC
 - Vote on Tariff revisions

Questions?

Supporting Data

DA Market		RT Market	
128 Total Units have submitted an FCA since 2014		154 Total Units have submitted an FCA since 2014	
Minimum Attempts	# of Units Exempt from the 7-Day Bias Test	Minimum Attempts	# of Units Exempt from the 7-Day Bias Test
168	43	168	87
100	39	100	85
50	34	50	70

The Mission of the New York Independent System Operator, in collaboration with its stakeholders, is to serve the public interest and provide benefits to consumers by:

- Maintaining and enhancing regional reliability
- Operating open, fair and competitive wholesale electricity markets
- Planning the power system for the future
- Providing factual information to policy makers, stakeholders and investors in the power system



www.nyiso.com