

Frequency Regulation Compensation

Informational Report: Follow-Up on Stakeholder Comments

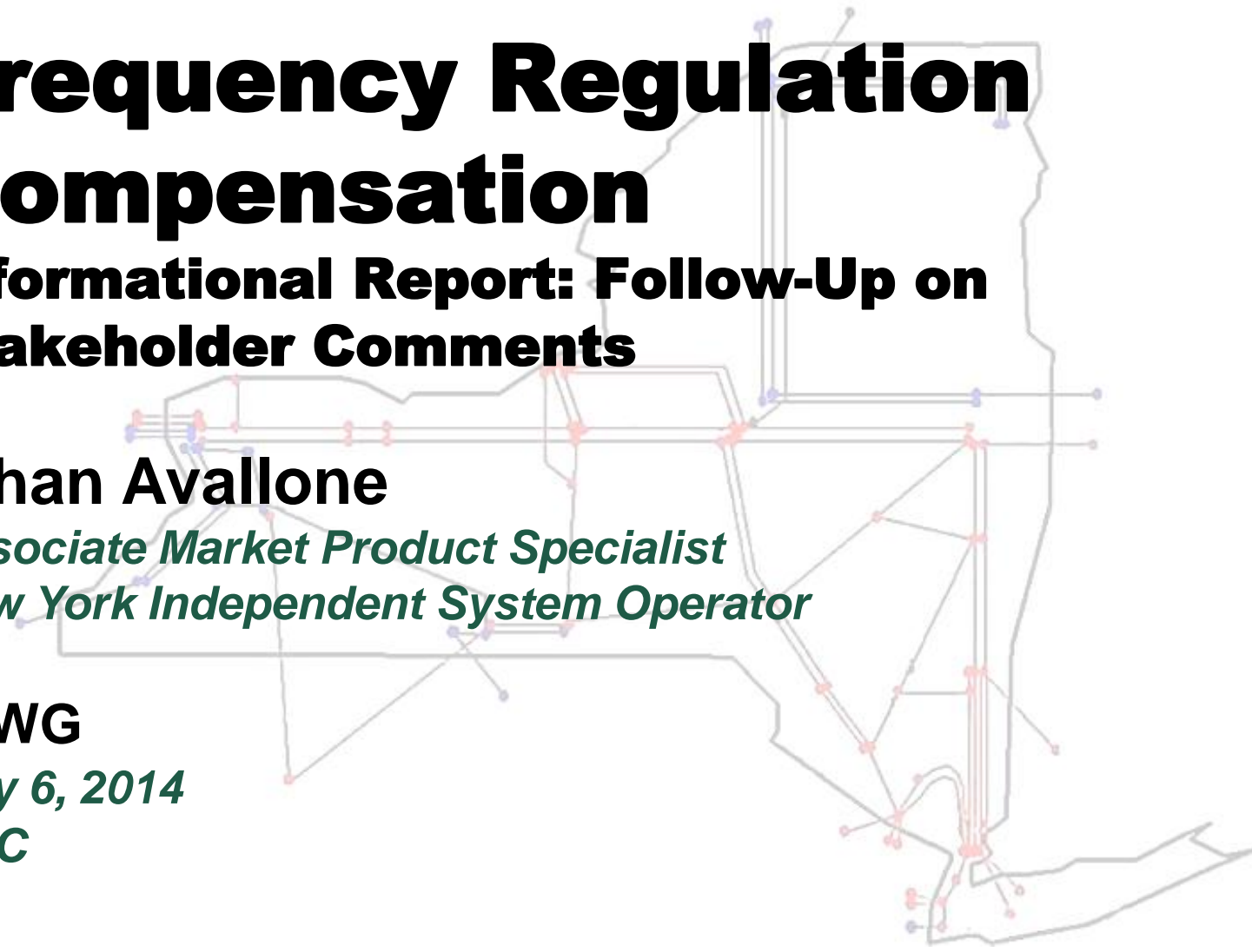
Ethan Avallone

*Associate Market Product Specialist
New York Independent System Operator*

MIWG

May 6, 2014

KCC



Agenda

- ◆ **Background**
- ◆ **Timeline**
- ◆ **Follow Up on Stakeholder Comments**
 - *Frequency Regulation Service Cost*
 - *Frequency Regulation Service Payments*
 - *The Uniform RMM*
- ◆ **Next Steps**
- ◆ **Appendix: Uniform RMM Analysis**

Background

- ◆ **FERC orders in response to the NYISO's August 17, 2012 and January 22, 2013 compliance filings on Order 755 directed the NYISO to complete an informational report**
 - *See FERC docket Nos. ER12-1653-000, ER12-1653-001 and ER12-1653-002*
- ◆ **Stakeholders provided comments on the NYISO's direction for the informational report at the March 25, 2014 MIWG**
 - *We are here today at the May 6, 2014 MIWG to address those comments*

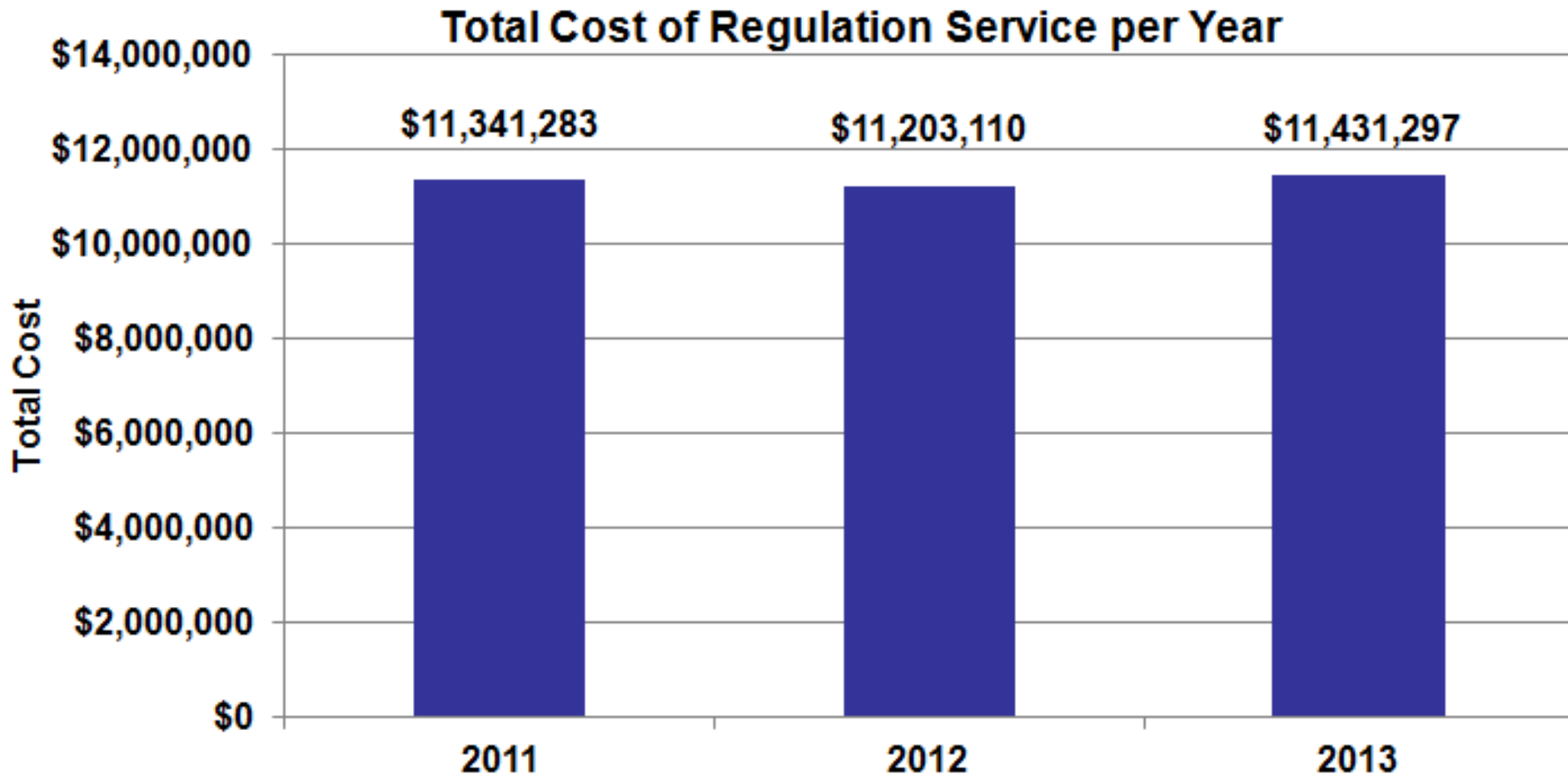
Timeline

- ◆ **June 26, 2013**
 - *Frequency regulation market changes take effect*
- ◆ **March 25, 2014**
 - *Inform stakeholders about the content of the NYISO's Frequency Regulation Compensation Informational Report*
- ◆ **May 6, 2014**
 - *Responding to comments provided by the NYISO's stakeholders*
- ◆ **June – August**
 - *Continue to review the uniform RMM using additional available data*
- ◆ **No Later than August 26, 2014**
 - *File Frequency Regulation Compensation Informational Report with the FERC*

Follow Up on Stakeholder Comments

Frequency Regulation Service Cost

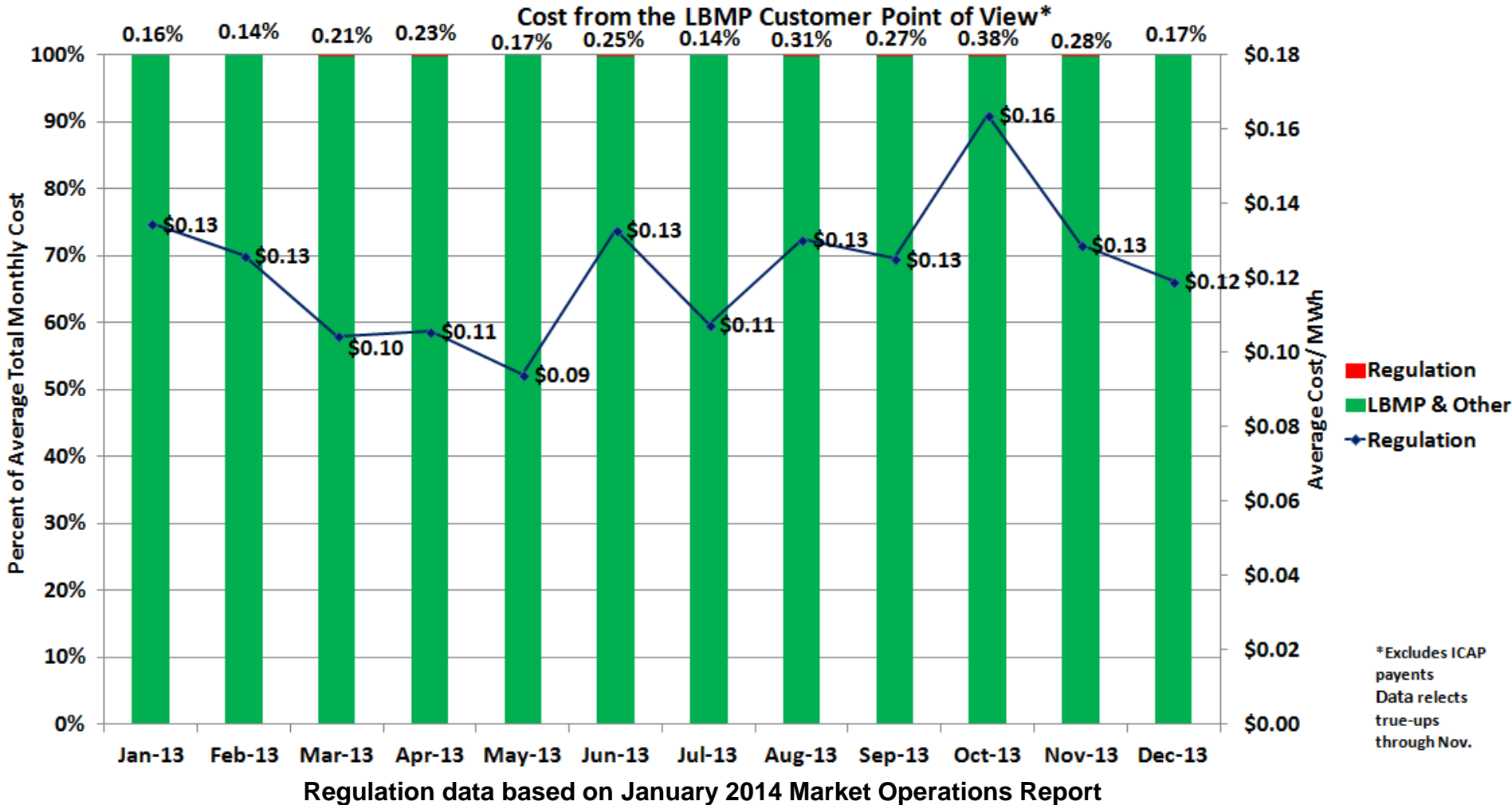
- ◆ The total cost of the regulation service market has remained roughly the same over the past few years



Frequency Regulation Service Cost

- The Regulation Service market in the context of the overall market

2013 Average Monthly Cost of Regulation per MWh of Energy - Including as a Percentage of the Total

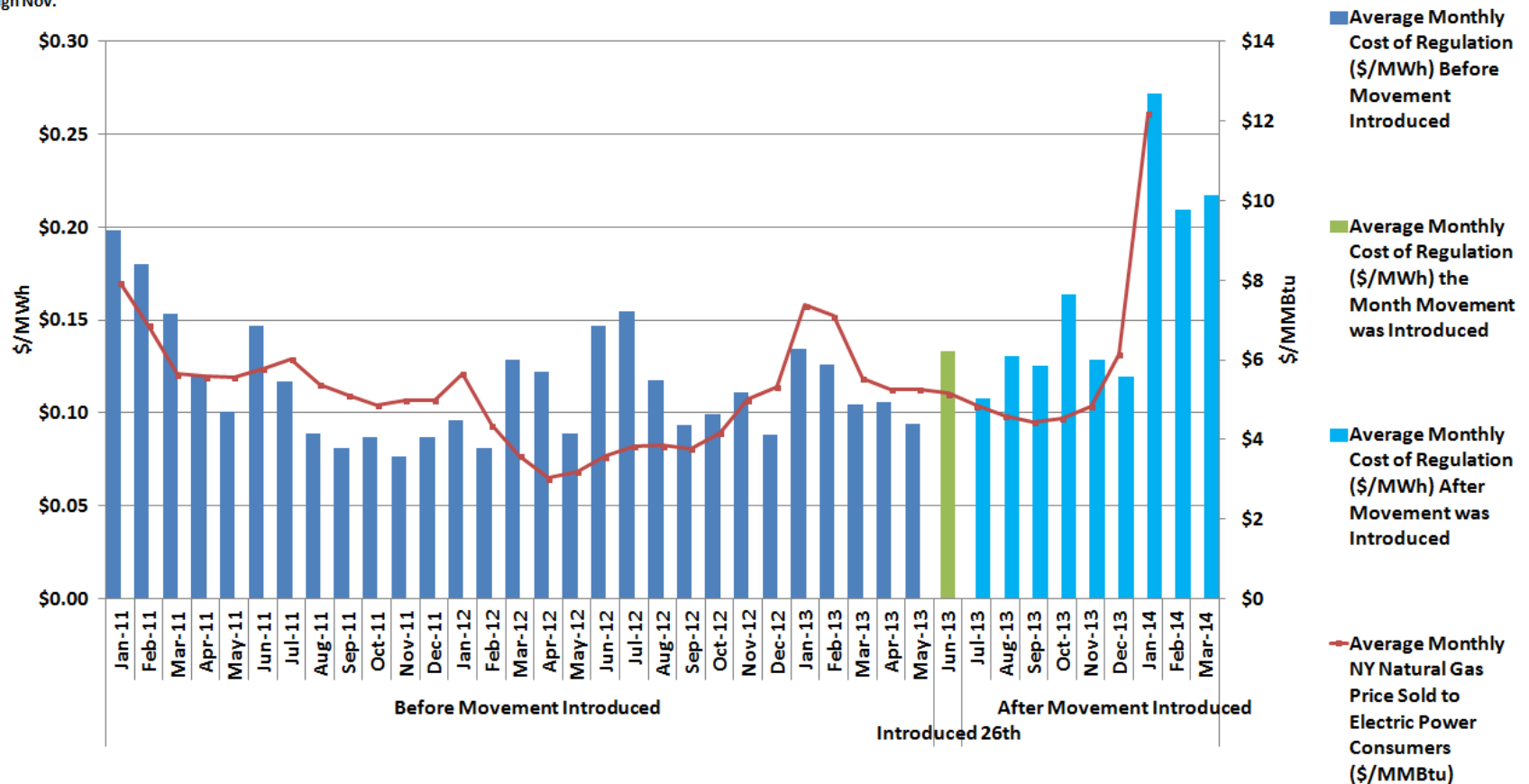


Frequency Regulation Service Cost

- The average monthly cost/ MWh of regulation service is relatively unchanged

*Excludes ICAP payments
Data reflects true-ups through Nov.

Average Monthly Cost of Regulation (\$/MWh) Plotted with the Average Natural Gas Price per Month (\$/mmBTU)



Regulation data based on January 2012 and March 2014 Market Operations Reports, Natural Gas prices from eia.gov

Frequency Regulation Service Payments

- ◆ **Total settlements paid (excluding regulation revenue adjustment settlements and regulation penalty payments) between June 26, 2012 and April 18, 2014, were analyzed**
 - *The top 5 revenue earning units from June 26, 2012 to June 25, 2013 made 69.81% of the total settlements paid*
 - *The top 5 revenue earning units from June 26, 2013 to April 18, 2014 made 57.76% of the total settlements paid*
- ◆ **Over that same period, of the 57 units receiving settlements in the regulation service market, the change in average daily settlement was analyzed for each unit**
 - *Of the 40 units with an increase in average daily revenue, the average increase was \$1,937*
 - *Of the 17 units with a decrease in average revenue, the average decrease was \$431*
 - *There was wide variation across units with a maximum average settlement increase of \$11,740, and the largest revenue decrease of \$2,315*

The Uniform RMM

- ◆ Data collected so far suggests the current uniform Regulation Movement Multiplier (RMM) should be increased to accurately reflect the dispatched movement of regulation service providers
 - *The uniform RMM is based on the average ratio of movement to capacity*
 - This ratio increased with the regulation movement market's introduction
 - *The NYISO previously recommended the uniform RMM be revised to 14*
 - Given that the Regulation Service market still appears to be in transition, additional data may suggest a different uniform RMM value
 - The NYISO, along with its Market Monitoring Unit (MMU), will continue to monitor the uniform RMM
- ◆ A change in the uniform RMM value will require a tariff revision
 - *The NYISO anticipates pursuing such a change through the stakeholder process at a future date*

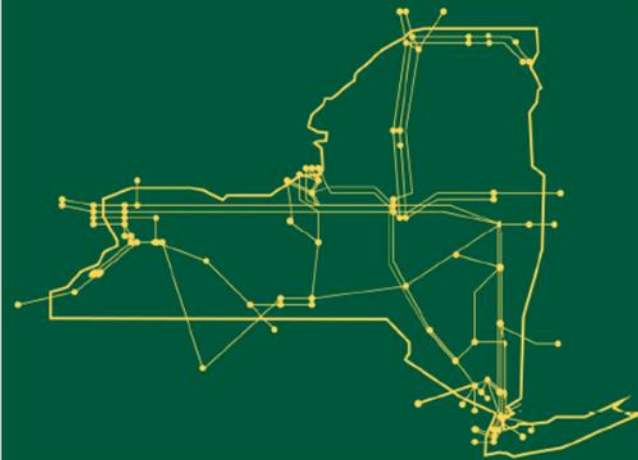
Next Steps

- ◆ **June – August**
 - *Continue to review the uniform RMM using additional available data*
- ◆ **No Later than August 26, 2014**
 - *File Frequency Regulation Compensation Informational Report with the FERC*

Comments

- ◆ **Stakeholder comments are welcome:**
 - *At this meeting*
 - *By emailing Ethan Avallone*
(eavallone@nyiso.com)

The New York Independent System Operator (NYISO) is a not-for-profit corporation responsible for operating the state's bulk electricity grid, administering New York's competitive wholesale electricity markets, conducting comprehensive long-term planning for the state's electric power system, and advancing the technological infrastructure of the electric system serving the Empire State.

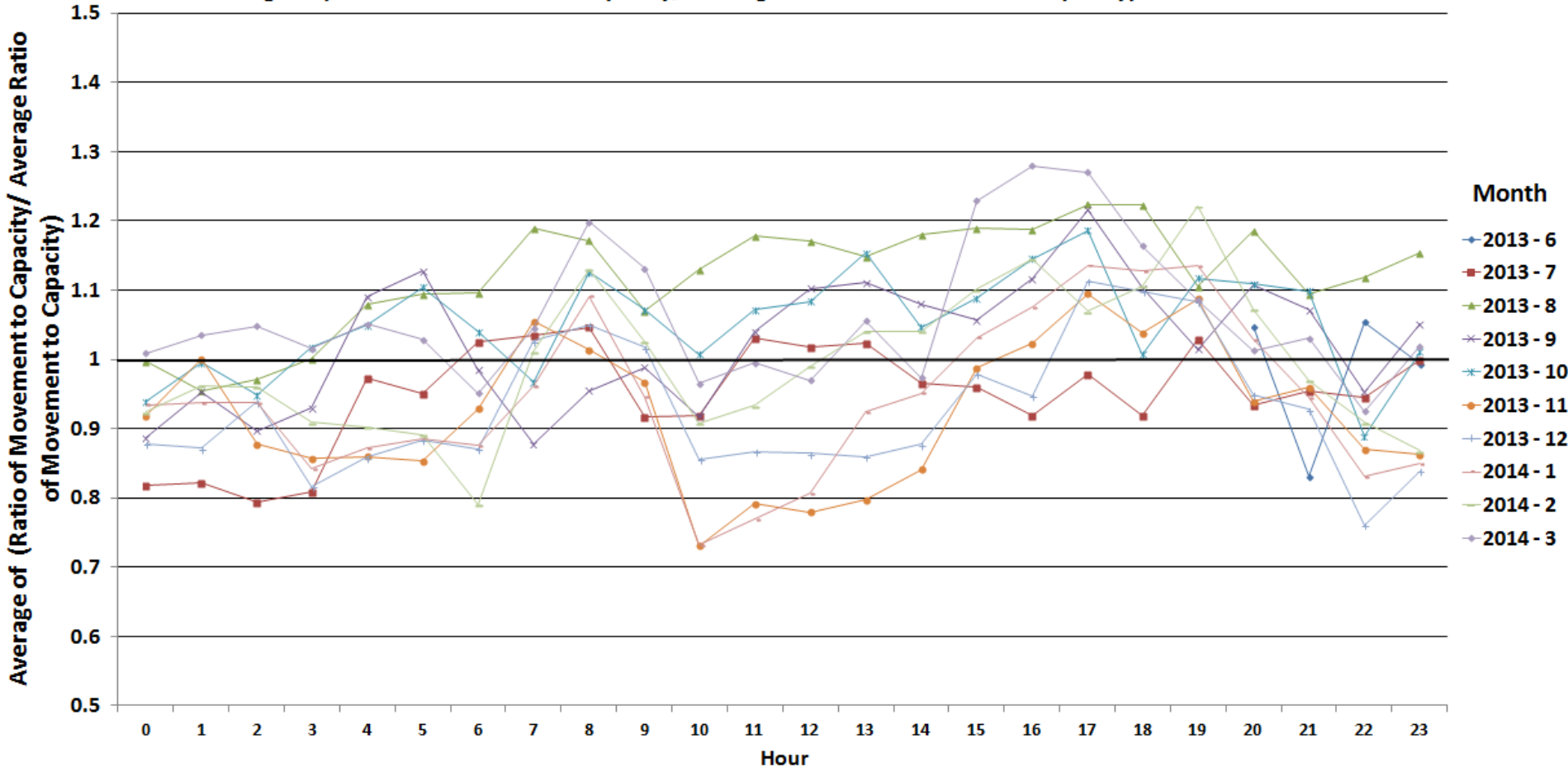


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Appendix: Uniform RMM Analysis

Ratio of Movement to Capacity

Average of (Ratio of Movement to Capacity/ Average Ratio of Movement to Capacity)



Ratio of Movement to Capacity

- ◆ The increase in the ratio of movement to capacity after the Regulation Service market changes suggests the uniform RMM should be revised upward

