

Buyer-side Mitigation Examination of New Special Case Resources and Updated Information and Examples

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Agenda

- ◆ Background
- ◆ Summary of BSM Mitigation Examination of new SCRs
 - *Overview*
 - *Process Flow Chart*
 - *Numerical Examples*
- ◆ Questions

Background

- ◆ **At the April 30, 2015 ICAPWG meeting the NYISO provided an overview of FERC’s March 19, 2015 order changing one input in the NYISO’s Tariff rule for buyer-side mitigation (“BSM”) evaluation for new SCRs in NYC**
- ◆ **The NYISO also described and provided examples of its evaluation of new SCRs in Mitigated Capacity Zones when they are first enrolled (presently, NYC and the G-J Locality)**
 - *MST Att. H, Section 23.4.5.7.5 contains the SCR BSM test and a portion of the rule*
- ◆ **The NYISO has reviewed its evaluation process and the methodology used in its BSM evaluation and has identified some enhancements which we will describe today**

SCR Mitigation Determination Process

***This is an update to the slide presented at the 4/30 ICAPWG meeting**

- ◆ **The NYISO evaluates new SCRs in Mitigated Capacity Zones when they are first enrolled (presently, NYC and the G-J Locality)**
- ◆ **RIPs are required to submit the following components of the Offer Floor for each new enrollment:**
 - ***contract terms for each resource for evaluation (e.g., “minimum monthly payment”),***
 - ***the value of all other benefits or payments from a third-party for providing Installed Capacity***
 - ***other pertinent information the NYISO requests (UPDATED)***
 - **RIPs should be prepared to respond quickly to requests in order to insure that the NYISO can review and evaluate the further information for the new SCR to be eligible to participate in the next following auction.**
- ◆ **If a RIP does not submit all the required data in the specified time period, the SCR is not an eligible resource**

SCR BSM Test

***This slide is the same as the one presented at the 4/30 ICAPWG meeting and is just placed here for context.**

- ◆ **The Offer Floor has two components**
 - *Payment SCR receives from RIP based on NYISO-administered Installed Capacity Market*
 - *Payments/benefits SCR receives from NYS or from NYS approved programs, and any other payments/benefits received*

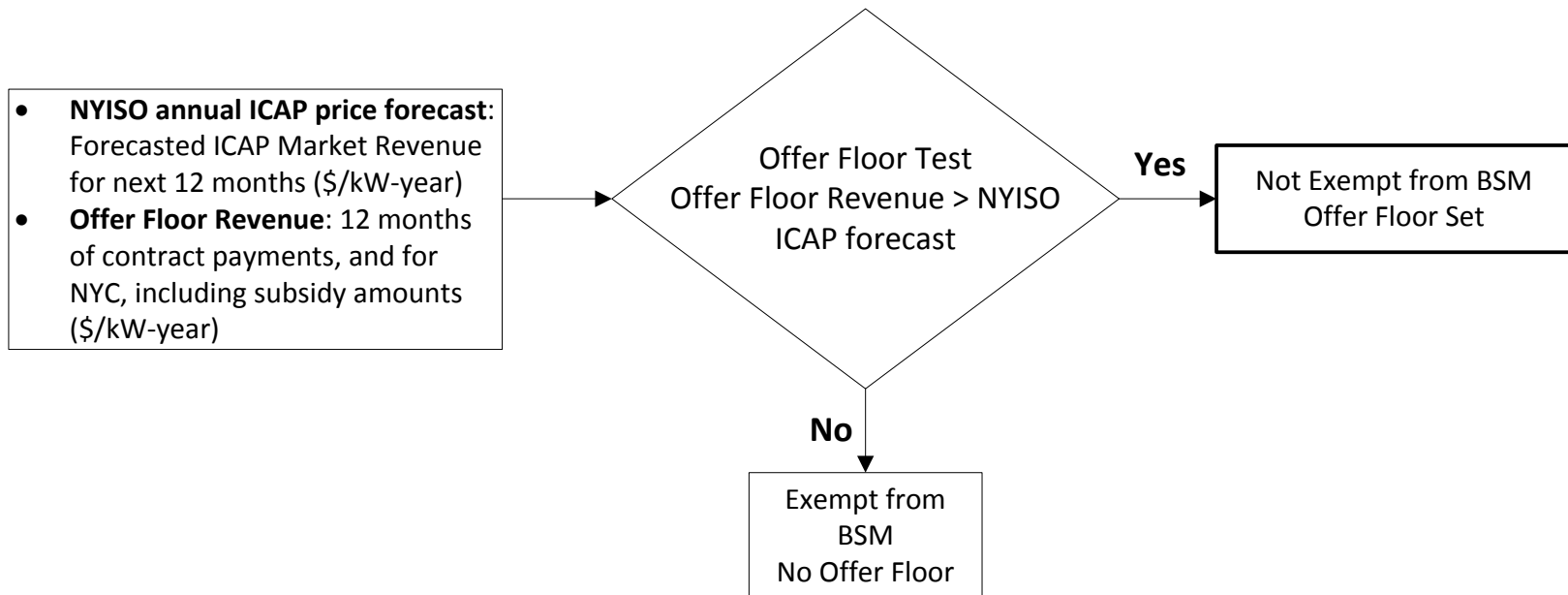
- ◆ **The Offer Floor is compared with the NYISO's ICAP price forecast**
 - *The Offer Floor and ICAP price forecast are compared over a 12 month period, starting with the first of month after enrollment*
 - *If (and only if) the Offer Floor > ICAP price forecast, the resource is not exempt and will be subject to its Offer Floor*

- ◆ **For non-exempt resources, Offer Floors are seasonally shaped to establish a monthly value**
 - *The NYISO notifies each RIP of a determination of exempt or not exempt.*
 - *If an SCR is not exempt, the NYISO states the Offer Floor*

- ◆ **The NYISO intends to send a notice to stakeholders the total amount of new SCR MW for which it issues a determination of “not exempt”**

Process Flow Chart

***This slide is the same as the one presented at the 4/30 ICAPWG meeting and is just placed here for context.**



Numerical Example #1 for a New SCR in Zone J, Contract does not guarantee a minimum payment

- ◆ NYISO Information
 - *12 Month ICAP price forecast = \$130.00*
- ◆ RIP Contract terms
 - *Payment share = 75% of NYISO auction revenue*
 - *No NYSERDA rebate*
 - *ConEd CSRP (Rider S) 80% share of Reservation Payment rate (\$10/kW-month)*
 - **ConEd CSRP Performance Factor (PF) = 85%**
 - *ConEd DLRP (Rider U) 90% share of Reservation Payment rate (\$6/kW-month for Tier 1 Network, \$10/kW month for Tier 2 Network)*
 - **ConEd DLRP Performance Factor = 95%**

Numerical Example #1 for a New SCR in Zone J: (continued)

Scenario A = Contract does not guarantee a minimum and does not project ICAP revenue

- ◆ Offer Floor Calculation
 - *Rider S Reservation Payment * PF % * Share%*
 - $\$10.00/\text{kW-month} * 85\% * 80\% = \$6.80/\text{kW-month}$
 - *Rider U Reservation Payment * PF % * Share%*
 - $\$6.00/\text{kW-month} * 95\% * 90\% = \$5.13/\text{kW-month}$
 - *Offer Floor other benefits = $\$11.93/\text{kW-month} * 5 \text{ Months} = \$59.65/\text{kW-year}$*

- ◆ *Payment Share: Contract does not guarantee a minimum and does not project ICAP revenue*
 - *Share 75 % * $\$0.00 = \0.00*

- ◆ Total Offer Floor Revenue
 - *Offer Floor other benefits + payment share = $\$59.65/\text{kW-year}$*

- ◆ NYISO ICAP Forecast versus Offer Floor Revenue
 - *12 month ICAP price forecast is $\$130.00/\text{kW-year}$*
 - *Total Offer Floor Revenue is $\$59.65/\text{kW-year}$*
 - *NYISO Forecast exceeds Revenue : $\$130.00/\text{kW-year} > \$59.65/\text{kW-year}$*
 - **Unit is not subject to Offer Floor (Exempt)**

Numerical Example # 2 for a New SCR in Zone J, Contract guarantees a minimum payment

- ◆ NYISO Information
 - *12 Month ICAP price forecast = \$130.00*
- ◆ RIP Contract terms
 - *Payment share = 75% of NYISO auction revenue*
 - *Guaranteed minimum payment of \$5.00/kW-month Summer, \$1.50/kW-month Winter*
 - *No NYSERDA rebate*
 - *ConEd CSRP (Rider S) 80% share of Reservation Payment rate (\$10/kW-month)*
 - **ConEd CSRP Performance Factor (PF) = 85%**
 - *ConEd DLRP (Rider U) 90% share of Reservation Payment rate (\$6/kW-month for Tier 1 Network, \$10/kW month for Tier 2 Network)*
 - **ConEd DLRP Performance Factor = 95%**

Numerical Example # 2 for a New SCR in Zone J, Contract guarantees a minimum payment(continued)

- ◆ Offer Floor Calculation
 - *Rider S Reservation Payment * PF % * Share%*
 - $\$10.00/\text{kW-month} * 85\% * 80\% = \$6.80/\text{kW-month}$
 - *Rider U Reservation Payment * PF % * Share%*
 - $\$6.00/\text{kW-month} * 95\% * 90\% = \$5.13/\text{kW-month}$
 - *Offer Floor other benefits = \$11.93/kW-month * 5 Months = \$59.65/kW-year*

- ◆ Guaranteed Minimum Payment
 - *Monthly Minimum*
 - $\$5.00/\text{kW-month} * 6 \text{ months} + \$1.50/\text{kW-month} * 6 \text{ Months} = \$39.00/\text{kW-year}$

- ◆ Total Offer Floor Revenue
 - *Offer Floor other benefits + Guaranteed minimum payment*
 - $\$59.65/\text{kW-year} + \$39.00/\text{kW-year} = \$98.65/\text{kW-year}$

- ◆ ICAP Forecast versus Offer Floor Revenue
 - *12 month ICAP price forecast is \$130.00/kW-year*
 - *Total Offer Floor Revenue is \$98.65/kW-year*
 - *Forecast exceeds Revenue : \$130.00/kW-year > \$98.65/kW-year*
 - Unit is not subject to Offer Floor (Exempt)

Numerical Example for a New SCR in Zones G, H or I

- ♦ **The Offer Floor and mitigation determination for new SCR resources in Load Zones G, H, or I are performed in the same manner as shown on the preceding slides for Zone J (Examples #1A and #2) EXCEPT Con Ed Rider S & U Reservation Payments and NYSERDA rebates are not added into the Offer Floor calculation**

SCRs Subject to an Offer Floor

***This slide is the same as the one presented at the 4/30 ICAPWG meeting and is just placed here for context.**

- ◆ MW of an SCR subject to an Offer Floor may only be offered into the ICAP Spot Market Auction. It is not eligible to be certified for a Strip or Monthly Auction sale or in a bilateral.
- ◆ Certification of SCR UCAP subject to an Offer Floor for a Strip or Monthly Auction sale, or bilateral will constitute a shortfall.
- ◆ Spot Market Auction rule:
 - *Offers by a RIP at a PTID shall be not lower than the highest Offer Floor applicable to a Special Case Resource providing Installed Capacity at that PTID.*
 - *Such offers may comprise a set of points for which prices may vary with the quantity offered.*
 - *If this set includes megawatts from a Special Case Resource(s) with an Offer Floor, then at least the quantity of megawatts in the offer associated with each Special Case Resource must be offered at or above the Special Case Resource's Offer Floor.*
- ◆ The NYISO AMS is not capable of will not automatically enforcing Offer Floors for SCRs
 - *It is the responsibility of the RIP to offer the SCR in accordance with the Offer Floor rules*
- ◆ The NYISO will monitor offers submitted for SCRs subject to an Offer Floor

Applicable Penalties

*This slide is the same as the one presented at the 4/30 ICAPWG meeting and is just placed here for context.

- ◆ **Shortfall – Non-Exempt if SCR Capacity was used to certify a Strip, Monthly or Bilateral sale**
 - *RIP has the opportunity to cover the shortfall in the Spot Auction with Capacity purchases*
 - *NYISO may place bids on behalf of RIP to cover the shortfall, if the shortfall is identified before the Auction*
 - *If a shortfall is identified after the Spot Auction, a penalty of 1.5 times the Spot Auction Price multiplied by the number of MW constituting the shortfall will be assessed*

- ◆ **Attachment H Penalty – Non-Exempt SCR capacity was sold in a Spot Auction below its Offer Floor**
 - *If a RIP together with its Affiliated Entities submits one or more offers below the applicable Offer Floor, and such offer or offers cause or contribute to a decrease in UCAP prices in the Mitigated Capacity Zone of 5 percent or more, provided such decrease is at least \$.50/kilowatt-month, the RIP is subject to a penalty*
 - *Penalty is equal to 1.5 times the difference between the Market-Clearing Price for the Mitigated Capacity Zone in the ICAP Spot Auction for which the offers below the Offer Floor were submitted with and without such offers being set to the Offer Floor, times the total amount of UCAP sold by the Responsible Interface Party and its Affiliated Entities in such ICAP Spot Auction.*
 - *“Affiliated Entities” are defined in Services Tariff Section 23.2.1, and must be updated monthly by the date on the ICAP Event calendar*

Duration of Offer Floor

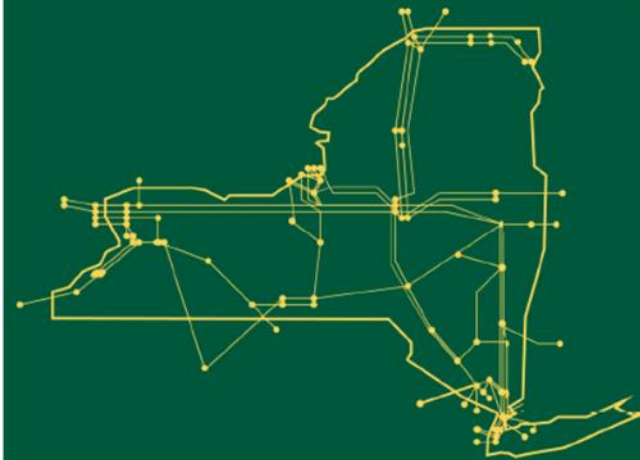
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- ◆ **A Non-Exempt SCR will continue to be subject to an Offer Floor beginning with the first month its UCAP is offered until it has offered and cleared its Installed Capacity in the ICAP Spot Market Auction, at a price at or above its Offer Floor for a total of twelve, not necessarily consecutive, months**
 - *The portion of the UCAP that clears for any 12 months will no longer be subject to an Offer Floor. That is, part of the SCR's UCAP can cease to be subject to an Offer Floor and the remainder will be continue to be subject to the Offer Floor until it clears*
- ◆ **If an SCR transfers to a new RIP, it will continue to be subject to its Offer Floor.**
 - *DRIS will track resources to ensure that non-Exempt SCRs will continue to be subject to an Offer Floor*

Questions

- ◆ **Questions?**
- ◆ **Stakeholders with questions on individual resources should submit them through their stakeholder services representative**

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