



# **FERC Order 831**

**Thomas A Golden**

*Manager – Energy Market Design  
New York Independent System Operator*

**MIWG**

*1/17/17*

*Krey Corporate Center, Rensselaer, NY*

# Agenda

- ◆ **Background**
- ◆ **Proposal**
- ◆ **Next Steps**
- ◆ **Questions/Feedback**

# History

- ◆ **Order 831 was issued by FERC on November 17<sup>th</sup>, 2016**
- ◆ **NYISO submitted a request for clarification/rehearing on December 19<sup>th</sup>, 2016**
- ◆ **NYISO presented a brief description of Order 831 and its request for clarification/rehearing at the December 21, 2016 Management Committee meeting**

# Summary of Order

- ◆ **The order states each RTO/ISO shall:**
  - *Cap each resource's incremental energy offer at the higher of \$1,000/MWh or that resource's verified cost-based offer*
  - *Cap verified cost-based incremental energy offers at \$2,000/MWh when calculating LBMP, and*
  - *Pay uplift to cover verified costs in excess of the \$2,000/MWh offer cap*

# Clarification/Rehearing Recap

- ◆ **NYISO sought clarification/rehearing of the following three points**
  - *The final rule should not require all ISO/RTOs to use cost-based incremental energy offers above \$2,000/MWh to determine merit order dispatch*
  - *NYISO may propose to apply conforming offer cap rules to minimum generation offers in its compliance filing*
  - *NYISO may propose rules to incent submission of incremental energy offers that exceed \$1,000/MWh (and supporting cost data) well in advance of market close in its compliance filing*
- ◆ **NYISO intends to submit a compliance filing that is consistent with its rehearing and clarification requests**

# Compliance Strategy

- ◆ **NYISO will propose revisions to:**
  - *Market Services Tariff (MST) Attachment F – Bid Restrictions*
  - *MST Attachment H – Market Power Mitigation Measures*
    - **NYISO expects to use reference levels to implement the offer cap rules for verified cost-based offers between \$1,000/MWh and \$2,000/MWh**
- ◆ **NYISO may identify other tariff provisions that need to change**

# Minimum Generation Offers

- ◆ **Order 831 only addresses incremental energy offers, the same rules should apply to minimum generation offers**
- ◆ **Inconsistency between incremental energy offers and minimum generation offers could lead to less optimal commitment, dispatch, and prices**

# Documented Costs

- ◆ **A market concern may arise if legitimate verifiable costs in excess of \$1,000/MWh cap are submitted too close to market close**
  - *If NYISO is not given sufficient time to verify cost-based offers that exceed \$1,000/MWh, then a resource's offer may be reduced to a level below its costs and the resource may be over-committed and prices set inappropriately*
  - *Under FERC's Order the resource would be eligible to receive uplift to recover its demonstrated costs*
  - *To provide an incentive to timely submit offers that exceed \$1,000/MWh, NYISO proposes to limit uplift paid to actual out-of-pocket costs when offers and supporting cost data are not presented for verification sufficiently in advance of market-close*



# Next Steps

- ◆ **Continue to review the tariff impacts of Order 831**
- ◆ **Determine the lead time necessary for NYISO to verify costs in excess of \$1,000/MWh**
- ◆ **Develop draft Tariff changes to implement the Order and obtain stakeholder feedback**
- ◆ **Return to MIWG on January 26<sup>th</sup> to discuss progress**

# Questions/Feedback

Please contact

Thomas A Golden [tgolden@nyiso.com](mailto:tgolden@nyiso.com)

**The mission of the New York Independent System Operator, in collaboration with its stakeholders, is to serve the public interest and provide benefit 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](http://www.nyiso.com)**