



Enhancements to the Mitigation Study Period for Buyer-Side Mitigation

Nathaniel Gilbraith
Scott Godfrey
New York Independent System Operator

ICAPWG
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Agenda

- **Procedural history and overview of the Mitigation Study Period (“MSP”)**
- **Why the NYISO proposes to revise the MSP**
- **Rule revision options**
- **Effect of rule revisions on Buyer Side Mitigation tests**

Background – Mitigation Study Period (“MSP”)

- ◆ Reasonably anticipated entry date
 - *The NYISO had used a “reasonably anticipated entry date” when making buyer-side mitigation (“BSM”) determinations, pursuant to the tariff until the November 2010 revisions of the BSM Rules*
 - *Under the reasonably anticipated entry date, the NYISO performed the analysis based on the developer’s submitted entry date*
 - Potential to “game” the BSM exemption and Offer Floor test
 - Low level of transparency and predictability because developers have the ability to change the entry date

Background, con't

◆ “3 Year Rule”

- *In 2010, the NYISO, with stakeholder support, filed Section 205 revisions to the BSM Rules. Those revisions included a specifically defined MSP. FERC accepted those updates with an effective date of November 27, 2010 (ER10-3043-001)*
 - The ISO supported this rule with an analysis of new entry in Load Zone J (NYC)
- *All Examined Facilities, regardless of unit technology are assumed to enter the NYISO's ICAP markets beginning with the start of the Summer Capability Period that is 3 years from the year of the Class Year*
 - Increased predictability and transparency
 - A blanket assumption may lead to an assumed entry date that is earlier or later than the actual entry date of the facility

MSP in Buyer Side Mitigation

- ◆ **The NYISO administers a BSM Rule test on proposed new entry requesting CRIS (whether a new entrant or Additional CRIS MW) or an expected recipient of transferred of CRIS**
 - *Part A test compares 75% of Mitigation Net CONE and the ICAP Forecast price in the first year of the MSP (MST Att. H 23.4.5.7.2 and 23.4.5.6)*
 - *Part B test compares the Unit Net CONE of each Examined Facility with the ICAP Forecast price over the three years of the MSP (MST Att. H 23.4.5.7.2 and 23.4.5.6)*

***Separate Sections of the tariff address the examination when an NCZ is proposed**

MSP in BSM, cont'd

- ◆ The current Mitigation Study Period, based on the 3 Year Rule, is:
 - *Part A Test: “the two Capability Periods, beginning with the Summer Capability Period commencing three years from the start of the year of the Class Year (the “Starting Capability Period”)” (MST Att. H 23.4.5.7.2 and 23.4.5.6)*
 - *Part B Test: “the six Capability Periods beginning with the Starting Capability Period” (MST Att. H 23.4.5.7.2 and 23.4.5.6)*

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• CY Start <- Summer Capability Period that is three years from the CY -> • Assumed combined cycle entry date

• Assumed Additional CRIS entry date

MSP, "Part A"

Mitigation Study Period, "Part B"

Current Process

Why the NYISO proposes to revise the 3 Year Rule

- ◆ **Minimize the potential for over and under mitigation**
 - *BSM tests performed based on expected entry that is not consistent with actual entry risk over or under mitigating Examined Facilities*
- ◆ **The current MSP Rule assumes that a wide array of project types and technologies enter on the same date**
 - *Existing facilities that request Additional CRIS MW, new facilities ranging from biomass to natural gas combined cycle to UDR projects, existing ERIS-only facilities requesting CRIS, and BTM:Net Generators*
 - *These facilities may have substantially different development timelines.*
- ◆ **It also assumes that Examined Facilities in the Class Year enter on the same date regardless of the variance in their stage of development**
- ◆ **The MMU has recommended revising the start of the MSP**
 - *The MMU suggests that the year of the Class Year may not be the best reference point for timing the MSP, because this does not necessarily represent the developer's decision to begin construction.*

Rule revision options

The NYISO's goal is to improve accuracy while maintaining an objective and transparent rule. These options could be considered individually or jointly (i.e., these are not mutually exclusive).

1. Permit-based entry rule

- *The status of necessary permits determines the MSP/Entry date*
 - *I.e. Does the Examined Facility require, or, has the EF received its siting permit (e.g., PSL Article 10 "Certificate of Environmental Compatibility and Public Need", Article VII)?*
- *Pros – transparent; objective; status of siting permits provides an indicator of project progress; builds on Class Year eligibility requirements*
- *Cons – the time necessary to obtain a permit is variable and uncertain*

2. Technology based entry rule

- *The technology of the Examined Facility determines the MSP/Entry date*
 - *E.g., The construction of a simple cycle combustion turbine is generally quicker than a combined cycle power plant*
- *Pros – transparent; objective; recognizes the physical realities of power plant construction*
- *Cons – difficult to apply for new or unique technologies; may require periodic updates*

Options continue on the next slide

Rule revision options (cont'd)

3. Multi-factor based entry rule *

- *E.g., combination of (2) and (3); potentially other factors*
- *Pros – transparent; objective; will likely improve the entry date for the CRIS requestor and therefore the accuracy of the BSM test*
- *Cons - difficult to apply for new or unique projects; may require periodic updates*
- *Current NYISO preference*

4. Revise the start of the MSP

- *E.g., start the MSP three years from the Initial Decision Period or,*
- *Start the MSP more than three years from the beginning of the Class Year*
- *Pros – objective; aligns with the premise that it takes three years for an Examined Facility to enter service from the time they receive their Final Determination*
- *Cons – may result in a MSP that depends on other Class Year processes*
- *Note: this option can be combined with any of the other options*

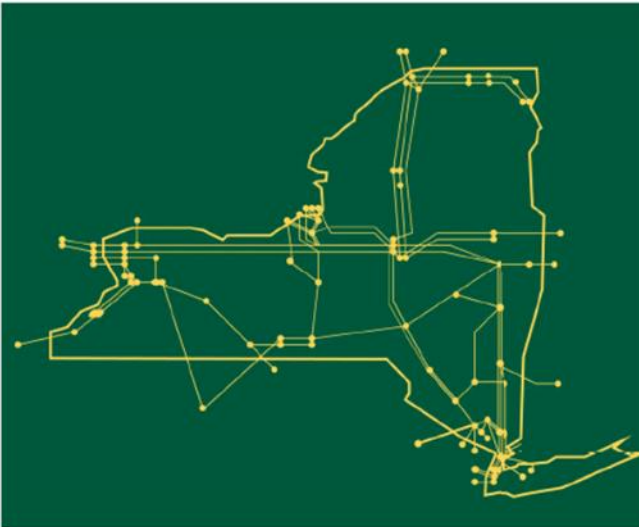
How this revision could affect elements of the BSM tests and determinations

- ◆ All Examined Facilities are modeled in the ICAP and Net E&AS Forecasts with their respective entry dates (currently, all assumed entry dates are the same)
- ◆ The load forecast varies by year. The load forecast affects the NYCA Minimum requirement, the LCRs and the net revenue forecast.
- ◆ The ICAP Demand Curve reference point varies by Capability Year. A MSP with a start date in a later year will have a reference point that has been escalated further than a reference point in an MSP that starts in an earlier year.
- ◆ Similarly, an Examined Facility with a later MSP start date will have a Unit Net CONE that is inflated more than a similar Examined Facility whose MSP start date is earlier.
- ◆ In short, the effect of revising the MSP rule on the BSM tests is likely to depend on the specific characteristics of the Examined Facility and of the Class Year.

Next Steps

- The NYISO will consider input received during today's ICAPWG meeting
- Stakeholders may provide additional comments in writing to deckels@nyiso.com or ngilbraith@nyiso.com by Friday October 18, 2016.

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