Forecasting the ICAP Reference Point in Buyer-Side Mitigation Determinations: Review and Proposals

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ICAPWG
March 8, 2017
Rensselaer, NY

Outline

- **Background**
  - ***Current process***
  - ***Today's objective***
- **Proposal overview**
- **Next steps**

Background

- **The current BSM rules do not include any requirements for the NYISO to update net Energy & Ancillary Services revenues or the Winter-to-Summer ratio when projecting the ICAP Reference Point for a Mitigation Study Period**
- **The Demand Curve annual update rules prescribe the actual ICAP Demand Curve reference point is to be updated by:**
  - ***Escalating peaking plant gross CONE***
  - ***Updating peaking plant net Energy & Ancillary Services revenues***
  - ***Updating the Winter-to-Summer ratio***

NYISO's Proposal for Forecasting the ICAP Reference Point

- **Revise BSM rules to account for these additional factors and forecast the ICAP Spot Market Auction clearing prices for purposes of the BSM determinations by:**

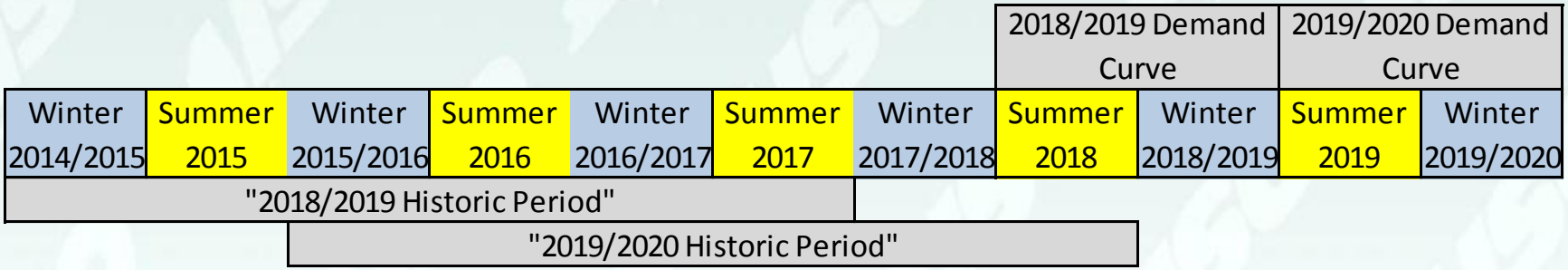
  a)Escalating the peaking plant gross CONE– ***by using a forecasted inflation method, as proposed during 3/8/2018 ICAPWG presentation on inflation and escalation in BSM***

  b)Reasonably estimating the peaking plant net Energy & Ancillary Services revenues by using information available at the time of the BSM determination – ***same as proposal presented at 10/7/2016 and 1/27/17 ICAPWG meeting***

  c)Updating Winter-to-Summer ratio – ***same as proposal presented at 10/7/2016 and 1/27/17 ICAPWG meeting***

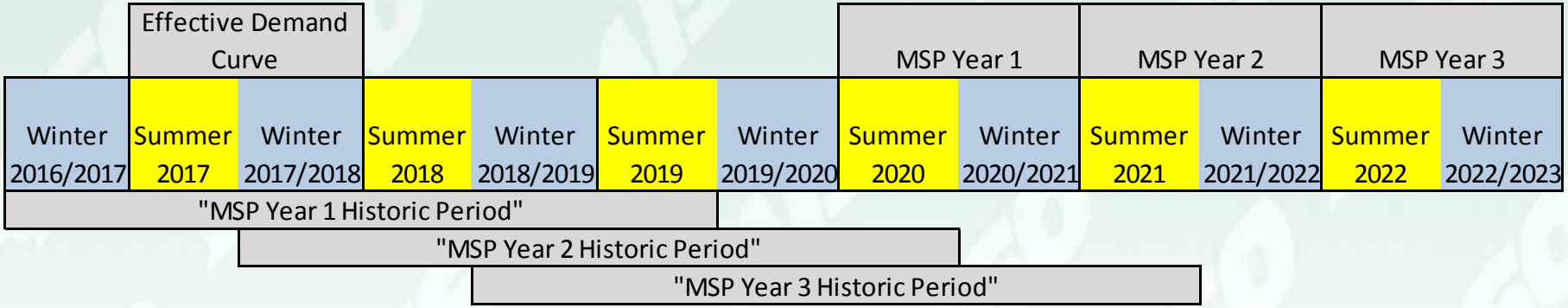
Estimating Peaking Plant Net Energy & Ancillary Services Offset

- **Demand Curve annual updates will use a rolling 3-year historical sample of LBMPs and reserve prices to estimate peaking plant net Energy & Ancillary Services revenues.**
  - ***For example the 2018/2019 Demand Curves annual update will use September 2014 thru August 2017 data***
  - ***2019/2020 Demand Curves annual update will roll off 2014 and replace it with 2018***



Estimating Peaking Plant Net Energy & Ancillary Services Offset cont'd

- **The NYISO is proposing to use information available at the time of the BSM determination to reasonably estimate peaking plant net Energy & Ancillary Services revenues during the MSP**
  - ***The chart below illustrates the "historic periods" that would be used to project net Energy & Ancillary Services revenues for each year of the Class Year 2017 Mitigation Study Period***



Estimating Winter-to-Summer Ratio

- **The NYISO is proposing to specify in the BSM rules that it will update the Winter-to-Summer ratio based on the Summer and Winter Capability Period UCAP during each year of the Mitigation Study Period**
  - ***The Winter-to-Summer ratio for the Mitigation Study Period will be a function of Examined Facility and existing capacity resource inclusion and exclusion rules***
    - **The NYISO has separately proposed enhancements to its current BSM rules regarding the inclusion and exclusion of capacity resources in the BSM forecast**

Recap: Proposal for Forecasting the ICAP Reference Point

- **The NYISO's proposals culminate in identifying the ICAP Demand Curve reference point for each year of the Mitigation Study Period are designed to:**
  - ***Align with the annual Demand Curve update process***
  - ***Reasonably estimate additional factors that could affect the ICAP Demand Curve reference point (i.e., net E&AS revenues and the WSR)***
  - ***Align with current process for projecting Examined Facilities' net Energy & Ancillary Service revenues***

Next Steps

- The NYISO will consider input received during today's ICAPWG meeting
- Stakeholders may also provide additional comments in writing to deckels@nyiso.com by March 24, 2017

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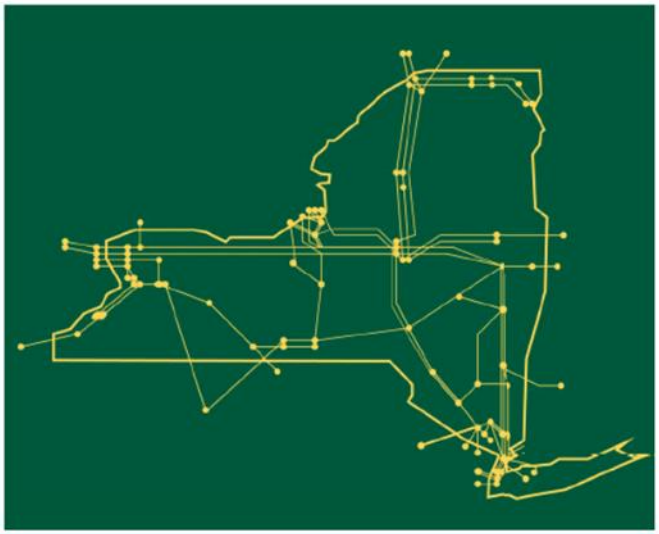

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