



Potential 2018 NYISO Project: Compensation for Locational Export Capacity

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Presentation Overview

- **This presentation**
 - *Describes background*
 - *Outlines a potential 2018 project that would explore whether to compensate, and alternative mechanisms for compensating, Generators with Locational Export Capacity*
 - *Achieving a complete market design prior to the June 2017 FERC filing is not possible given the scope and complexity of the question*

Background and Scoping Overview

- **FERC's Order accepting the Services Tariff rules for exports from Import Constrained Localities* noted stakeholder comments which included potential compensation for Generators with Locational Export Capacity**
 - *FERC encouraged the NYISO to continue to work with its stakeholders on design suggestions*
- **The NYISO introduced the topic of whether to compensate and a compensation mechanism for Generators with Locational Export Capacity during the December 20, 2016 ICAPWG**
- **In order to evaluate with stakeholders the potential 2018 project, the NYISO is seeking input on issues that might be considered as part of that project**

*Issued January 27, 2017, 158 FERC ¶ 61,064, Docket No. ER17-446-000

1. Identify the product

- The project would first identify attributes that a Generator would need to provide in order to be eligible to receive compensation
- Stakeholders comments included that
 - *It could be reasonable to compensate Locational Export Capacity for its' effect on the Locality LCR (i.e., counterflow)*
 - *Resources located throughout the NYCA create various flows and counterflows. Accounting for such effects would represent a systematic change in the current ICAP market construct*
 - *There were no unique attributes because the Generator would continue to be available and the Services Tariff requires Generators with Locational Export Capacity to respond to an SRE*
- **Note: The remainder of this presentation assumes the project identifies an attribute. If the project determines that no such attribute should receive compensation, the forthcoming market design elements would not occur**

2. Evaluate current performance requirements and compensation mechanisms

- **Upon identifying a valued attribute(s), review whether existing rules result in the provision of the attribute**
 - *E.g., does an existing product already require the provision of the attribute?*

3. Determine product specifications

- What are the criteria that establish the NYCA product requirement? Do these requirements vary by location?
- How much does the NYCA require? How much should the ISO procure?
- What resource types are eligible to provide the product?
 - *E.g., Generators with Locational Export Capacity? All ICAP Suppliers? ERIS-only Generators? UDR projects? SCRs? Only certain fuel types? Intermittent or Run-of-River Hydro?*
- Is provision of the product voluntary or mandatory?
- Does the product require associated market power mitigation rules?

4. Determine the price setting mechanism

- Should compensation be uniform or differentiated?
 - *E.g., vary by Locality or resource performance?*
- Is compensation cost-based, market-based, or administratively determined?
- If compensation is based on a market price, then are prices set based on
 - *Marginal cost to provide (e.g., where the resource supply stack meets the requirement)*
 - *Marginal willingness to purchase (e.g., where a supply stack meets a demand curve)*
 - *Some combination thereof*

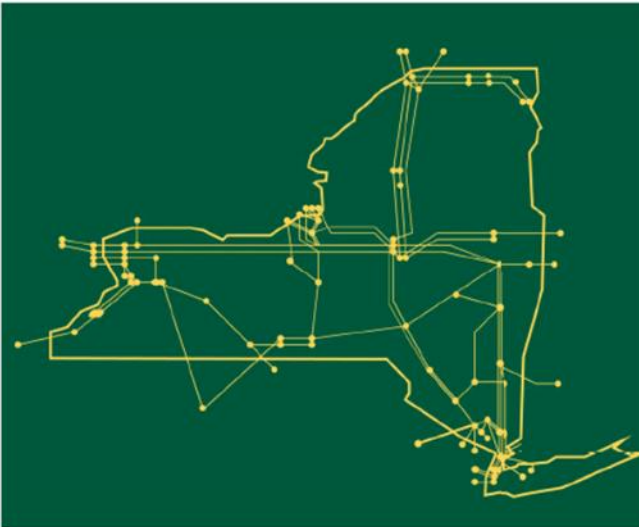
5. Integrating compensation within the NYISO markets

- Should the NYISO review and/or update product pricing and other characteristics on a periodic basis?
- Review how this new product aligns/interacts with existing market rules
 - *E.g., the ICAP Demand Curve reset process accounts for voltage support services revenues when setting capacity market prices. How would the ISO treat compensation from this new hypothetical product during the Demand Curve reset?*
- Software updates
 - *These are likely to be substantial*

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 April 18, 2017

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