



# **NYISO Draft ICAP Demand Curve Recommendations for Capability Years 2017/2018 - 2020/2021**

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# Topics

- ◆ **NYISO Preliminary Recommendations Overview**
- ◆ **Ongoing NYISO Evaluations**
- ◆ **Remaining ICAP Demand Curve Reset (DCR) Schedule**

# NYISO Draft Recommendations

- ◆ At this time, NYISO concurs with the recommendations of Analysis Group and Lummus Consultants International (Consultants) in all but the following instance:
  - *NYISO recommends the use of a gas only peaking plant configuration with selective catalytic reduction (SCR) emissions control technology for Load Zones C and F*
- ◆ As noted later in the presentation, the NYISO is continuing to assess certain other aspects of the Consultants' recommendations
  - *Fixed property tax rate of 0.75% for Load Zones C, F, G and K*
  - *Level of excess adjustment factor (LOE-AF) values determined based on the 2016 CARIS Phase 2 database*

# **NYISO Evaluation of Dual Fuel Requirement**

- ◆ **Consultants' Recommendation**
- ◆ **Market Participant Comments**
- ◆ **NYISO Assessment**

# Consultants' Recommendation

- ◆ **Consultants recommend dual fuel capability for the peaking plant technology in all locations**
  - *Dual fuel capability serves as a hedge against the expected increase in New York state's reliance on natural gas in the coming years*
  - *Dual fuel expands siting flexibility*
  - *Provides opportunity for increased revenue earnings compared to a gas-only unit during periods when oil is more economic than natural gas for electricity production or when natural gas supply is unavailable*
  - *On balance, a developer would more likely than not decide to include dual fuel capability*

# Stakeholder Feedback

- ◆ **Supply-side interests generally supported the Consultants' recommendation of dual fuel capability and SCR technology for the peaking plants across all locations**
- ◆ **Load-side interests contend that the recommendation for dual fuel in Load Zones C, F, and G is not justified**
  - *Uneconomic*
  - *Not mandated by LDC tariffs*
  - *Not required to qualify as an Installed Capacity Supplier*



# NYISO Assessment

- ◆ **Concur with Consultants' recommendation for including dual fuel for the peaking plants located in NYC and LI**
  - *Consistent with prior DCRs, it is a requirement for interconnection in these locations*
- ◆ **Concur with Consultants' recommendation for inclusion of dual fuel capability in the G-J Locality**
  - *Consistent with 2013 DCR*
  - *Dual fuel capability is required to allow the peaking plants to interconnect to the LDC systems in this region. Absence of dual fuel capability would unduly limit siting flexibility in the region and potentially increase cost*
  - *Dual fuel capability serves as a hedge against the expected increase in New York state's reliance on natural gas in the coming years*
- ◆ **Given current conditions in the gas market and general availability of gas supply upstate, NYISO believes that gas-only peaking plant remains reasonable for Load Zones C and F at this time.**
  - *Incremental revenues received by a dual fuel plant, as determined by the net EAS revenues model for the 2017/2018 Capability Year calculations, do not offset the additional capital costs of dual fuel capability over the historic period analyzed,*
  - *Greater availability of sites in these locations*

# Ongoing NYISO Evaluations

- ◆ **Property Tax Rate Outside NYC**
- ◆ **Level of Excess-Adjustment Factors (LOE-AFs)**
- ◆ **Evaluation Process (same as described previously for dual fuel assessment):**
  - *Consultants' Recommendation*
  - *Market Participant Comments*
  - *NYISO Assessment*



# **NYISO Evaluation of Property Taxes**

- ◆ **Consultants' Recommendation**
- ◆ **Market Participant Comments**
- ◆ **NYISO Assessment (Ongoing)**

# Consultants' Recommendation

- ◆ **Consultants recommend an effective property tax rate of 0.75% outside of NYC**
- ◆ **Consultants' recommendation based on a review of PILOT agreement data available through the New York State Comptroller's Office**
  - *Focused on natural gas plants (11), vintage: 1989-2009, with Fiscal Year 2014 effective tax rates that range from 0.2% to 2.01 %*
  - *Median value of 0.83%*
  - *Weighted average by PILOT payment of 0.80%*

# Stakeholder Feedback

- ◆ **NYTOs recommend that the property tax rate outside NYC be reduced to 0.5% in order to be consistent with the 20 year amortization period**
  - *Analysis of full PILOT schedules for 3 units – Athens, Empire and Bethlehem*
  - *Consistent with the recommended 20-year amortization period, only the property tax rates for the first 20 years of each plant's life was considered*
  - *Average tax rate for the 3 units analyzed, based on a 20 year amortization period, was 0.5%*
- ◆ **Supply-side interests raised concerns regarding whether past PILOT agreement data is representative of future potential PILOT agreements given the current regulatory environment and public policies**

# **NYISO Evaluation of LOE-AFs**

- ◆ **Consultants' Recommendation**
- ◆ **Market Participant Comments**
- ◆ **NYISO Assessment (Ongoing)**

# Consultants' Recommendation

- ◆ **LOE-AF values used in the Consultants' Final Report are based on the 2016 CARIS Phase 2 database**
  - *2016 CARIS Phase 2 database reflects current changes to system conditions and updated parameters, as presented at the July 13, 2016 BIC meeting*
- ◆ **LOE-AF values established using the 2016 CARIS Phase 2 database is consistent with stakeholder discussions**
- ◆ **LOE-AF values were determined using the same methodology as the LOE-AF values presented in the Consultants Draft Report using the 2015 CARIS Phase 1 database**
  - *Referred to as "Method 1" in the August 10, 2016 presentation by Analysis Group to the ICAPWG*

# Stakeholder Concerns and Feedback

- ◆ **General concern about the impact of the Clean Energy Standard recently approved by the NYPSC on the retirement assumptions in ongoing planning studies such as CARIS**
- ◆ **Supply-side interests**
  - *Suggested the methodology of scaling load instead of generation to get to the tariff specified level of excess potentially overstates LOE-AF values*
  - *Expressed concern that some of the LOE-AF values may be too high*



# Impact of NYISO Recommended Changes on 2017/2018 ICAP Demand Curve Reference Point Prices for Simple Cycle F Class Frame with SCR

Capacity Region	Consultants' Recommended Fuel Requirement	Consultants' Recommended Reference Point Price	NYISO Recommended Fuel Requirement	NYISO Recommended Reference Point Price	
				\$/kW-mo.	% Change
NYC	Dual	18.81	Dual	18.81	0.00%
Long Island	Dual	13.75	Dual	13.75	0.00%
G-J Locality	Dual	14.96	Dual	14.96	0.00%
NYCA	Dual	11.34	Gas Only	10.84	-4.4%

*Note: % change calculated relative to Consultants' preliminary reference point prices, as set forth in the Consultants' Final Report. The values represent data for the period from August 2013 through July 2016. The values will be updated in September 2016 to reflect final data for the period from September 2013 through August 2016*

# DCR Schedule

- ◆ **September 1, 2016: Stakeholder Comments Due on NYISO Staff's Draft Recommendations**
- ◆ **September 8, 2016**
  - *Placeholder for potential, additional ICAPWG meeting to discuss NYISO responses to stakeholder feedback (if requested by stakeholders)*
  - *Targeted date for completion of NYISO's ongoing assessments on property taxes outside of NYC, and LOE-AF values using the 2016 CARIS Phase 2 database*
- ◆ **September 15, 2016: NYISO Staff Final Recommendations Posted**
- ◆ **October 3, 2016: Stakeholder Written Comments Due to NYISO Board of Directors (Board)**
- ◆ **October 17, 2016: Stakeholder Oral Presentations to Board**
- ◆ **On or before November 30, 2016: NYISO submits DCR Filing to FERC**

**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*

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