

Capacity Zone (Locality) Elimination

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Problem Statement

- ◆ **Discuss whether there should be a mechanism to eliminate a Locality, and if so, market design concepts to eliminate capacity zones**
 - *The Services Tariff uses the term “Locality” to define established capacity zones*

- ◆ **The purpose of this presentation is to solicit stakeholder feedback**

Why do we have Capacity Markets ?

- ◆ **Benefits**

- *Ensure resource adequacy*
- *Provide a market signal for investment*
- *Recover a portion of fixed costs not recoverable in Energy and Ancillary Services Markets*

- ◆ **Capacity zones (“Localities”) recognize the value of capacity in the area.**

- *More focused price signal where capacity is needed*
- *Help to address transmission system constraints*
- *Long term investment signal*
 - **New - Locate**
 - **Existing – Maintain or increase capability**

Localities

- ◆ **The Services Tariff has the set of rules for the triennial process to determine if a new Locality is needed and the steps by which it is created (see Appendix Slides)**
- ◆ **The tariff is silent on the elimination of a Locality**

Stakeholder Discussion

- ◆ **Do we need to eliminate Capacity Zones ?**
 - *G-J, J, K*
- ◆ **Suggested Topics**
 - *Elimination of a Locality*
 - Price convergence
 - Elimination of a deliverability constraint
 - Effect on Offer Floor of units subject to buyer-side mitigation
 - Effect on planning processes
 - Timing issues
- ◆ **Comments beyond today's meeting can be sent to Debbie Eckels (deckels@nyiso.com)**

The New York Independent System Operator (NYISO) is a not-for-profit corporation responsible for operating the state's bulk electricity grid, administering New York's competitive wholesale electricity markets, conducting comprehensive long-term planning for the state's electric power system, and advancing the technological infrastructure of the electric system serving the Empire State.



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Background for New Capacity Zones

◆ FERC Filings and Orders

- *June 30, 2009 – FERC Order accepting the deliverability rules directed the NYISO and the NYTOs to jointly file a proposal to create a new capacity zone.*
- *January 4, 2011 – NYTOs and NYISO filed proposed criteria and considerations to govern the evaluation and potential creation of new capacity zones.*
- *September 8, 2011 – FERC issued an order which directed the NYISO to file tariff provisions to specify the process for evaluating, identifying and, if necessary, establishing new capacity zones.*
- *November 7, 2011 – NYISO filed the tariff sheets containing the specific detail.*
- *August 30, 2012 – FERC issued an order accepting the November 2011 filing and made the tariff revisions by which new capacity zones would be identified and created effective as of January 9, 2012.*
- *June 29, 2012 – NYISO submitted a filing proposing buyer-side and supplier-side ICAP market power mitigation rules to apply to any newly created capacity zones.*
- *June 6, 2013 – FERC issued an order conditionally accepting the proposed mitigation rules, subject to a compliance filing.*
- *July 8, 2013 – NYISO filed in compliance with the June 2012 order.*
- *August 23, 2014 – FERC issued a delegated letter order accepting the July 8, 2013 compliance filing.*

Process to Define New Capacity Zones

♦ Rules

- ♦ *The Services Tariff Section 5.16 describes the required steps to identify and propose a New Capacity Zone (NCZ) and Section 5.14 describes how an NCZ is factored into the triennial ICAP Demand Curve reset process.*
- ♦ *The NYISO is required to*
 - Commence a triennial NCZ Study in the calendar year preceding the calendar year in which the NYISO is required to file the ICAP Demand Curves (ICAP Demand Curve Reset Filing Year).
 - Review with the stakeholders by October 1 of that preceding year the inputs and the assumptions to be used in the NCZ Study.
 - Complete the NCZ Study by January 15 of the ICAP Demand Curve Reset Filing Year.

♦ Filings

- ♦ *The Services Tariff requires the NYISO to make one of two types of filings on or before March 31 of each ICAP Demand Curve Reset Filing Year.*
 - “[i]f the NCZ Study does not identify a constrained Highway interface, the ISO shall file with the Commission the ISO’s determination that the NCZ Study did not indicate that any New Capacity Zone is required pursuant to this process, along with a report of the results of the NCZ Study.”
 - Propose a New Capacity Zone if the NCZ Study identifies a constrained Highway interface into one of more Load Zones, including identify the boundary of one or more NCZs and file tariff revisions to implement new NCZ(s) along with the NCZ Study results.

♦ Process Timing

- ♦ *The steps were designed so that the NYISO’s filing to propose an NCZ would be made in time for it to be considered as part of and concurrent with the periodic review of the ICAP Demand Curves for existing Localities and the NYCA,*
- ♦ *Pursuant to the timing in the Services Tariff, the ICAP Demand Curves for an NCZ would be effective at the same time other revised ICAP Demand Curves; and in time for all ICAP market activities (e.g. setting the LCRs, import rights processes) for the first Capability Year after it is proposed and accepted.)*