

Compliance with FERC Order on Technical Conference re: Treatment of Zone K Export Constraints into the G-J Locality

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Objective: In Compliance with the November 25, 2014 FERC Order on the (February 25, 2014) Technical Conference:

- ♦ Explore with stakeholders “whether a proposal can be developed that could reduce the cost of procuring capacity while meeting the NYISO LOLE objective.”[emphasis added]: and
- ♦ “[E]xplore the issues and evaluate the proposals discussed at the conference, including the MMU’s recommendations, through its stakeholder process and file an informational report with the Commission by June 1, 2015.”

To facilitate exploration and evaluation, this presentation groups by issue proposals discussed at the Technical Conference.

Proposals Raised During the Tech Conference

- ◆ **Treatment of Zone K Export Constraint Limits in NYISO G-J Demand Curves**
 - *Accurately reflect the reliability benefits of Zone K excess in SENY and NYCA*
 - *Monitor export constraints for each DCR to determine if Zone K should be added to boundary of G-J Locality*
 - *Recognize the reliability and transmission security benefits that Zone K can provide the NCZ*
 - *Evaluate to what extent any export constrained zone in the NYISO should be allowed to sell capacity in any other zone*
- ◆ **Evaluate alternative LCR methodologies that**
 - *better reflect the export constraint constraints*
 - *more accurately reflect the reliability value of capacity resources in different areas, or*
 - *considers a deliverability-based methodology for the LCRs associated with new Localities*
- ◆ **Evaluate rules to achieve price convergence or eliminate Localities**
- ◆ ***Assess improved methodologies for modeling deliverability constraints and identify deliverability constraint triggers that warrant pre-definition of capacity zones***
 - *Seek tariff amendments to include a detailed description of tests/metrics to be used in establishing NCZ boundaries*
- ◆ ***Consider developing a Capacity Deliverability Right for Transmission Expansion increasing the deliverability of the constrained interface***

Status of Discussions

- ◆ **MMU discussions at August 20, and November 14, 2014 ICAPWG meetings clarifying SOM recommendations re: An Enhanced Capacity Market Framework:**
 - *Dynamic locational requirements*
 - *Fungibility and treatment of export constraints*
 - *Procurement Targets to be used in place of the LCR*
 - *Requires significant changes to current capacity market*
 - *Complicated to define and administer key elements*

Status of Discussions (continued)

- ◆ **NYISO led discussions at ICAPWG and MIWG meetings regarding market design concepts for:**
 - ***Capacity Zone Elimination – October 30, 2014 ICAPWG***
 - Is there a need to eliminate?
 - Zone elimination objectives and challenges
 - ***Capacity Zone Predefine and Eliminate – November 17, 2014, ICAPWG***
 - Discussed whether there is a need to predefine and eliminate capacity zones, and if there is, discuss design concepts for each
 - Reviewed how PJM predefines and eliminates zones
 - NYISO possible options for predefine and eliminate
 - Potential triggers and issues to be addressed for zone elimination

Status of Discussions (continued)

- ◆ **NYISO led discussions at December 18 MIWG regarding market design concepts for the “Treatment of Zone K Export Constraints into the G-J Locality”**
 - *Reviewed existing pricing hierarchal rules and auction mechanics*
 - *Proposed to solve the ICAP Spot Auction as we do today, with an additional step*
 - **Count the MW that clear above the Zone K LCR, up to the K export limit MW, toward the G-J requirement, and count the remaining MW that clear in K above the Zone K LCR (i.e., those above the export limit) toward the NYCA requirement**

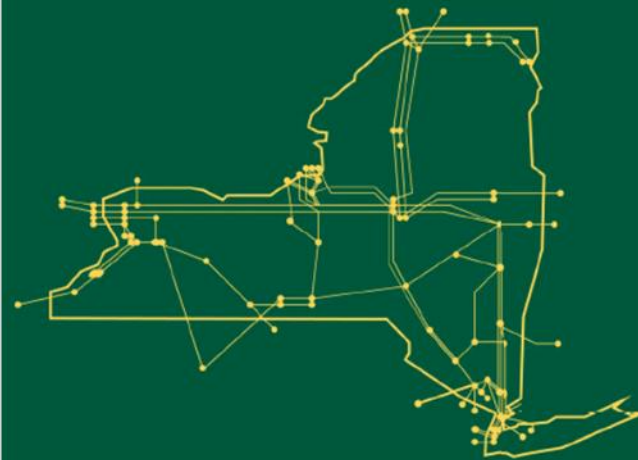
Status of Discussions (continued)

- ◆ **NYISO is in the process of creating a task force to review within the ICAPWG the current LCR determination process for localities**
 - *The Task Force was discussed with the Operating Committing meeting on January 15, 2015*

Process Steps for Evaluating Technical Conference Proposals

- ◆ **March 18 ICAPWG - Stakeholders can present export constrained zone modeling concepts**
 - *Objective*
 - *Preferred approach and alternatives*
 - *Numeric example*
 - *Benefits and detriments*
- ◆ **April 30 ICAPWG: Continue stakeholder discussions**
- ◆ **June 1, 2015 – NYISO to submit informational report to FERC**

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