

# **RMR Generator Selection Process & Limits on NYISO Authority to Approve CapEx**



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- ◆ **Describe Selection Process**
  - *How the NYISO will select the RMR Generator when there is more than one Generator that has been determined to be able to satisfy (in whole or in part) the Reliability Need*
  
- ◆ **Describe CapEx Limits**
  - *Rationale*
  - *Proposed Limits & Justification*
  
- ◆ **Solicit Stakeholder feedback**

## ◆ Rationale

- *There are potential circumstances where multiple Generators may be determined to be options for an RMR Agreement to satisfy a Reliability Need*
- *The NYISO would seek to select the least cost generation solution (or combination of solutions), on an NPV basis, for RMR Service*

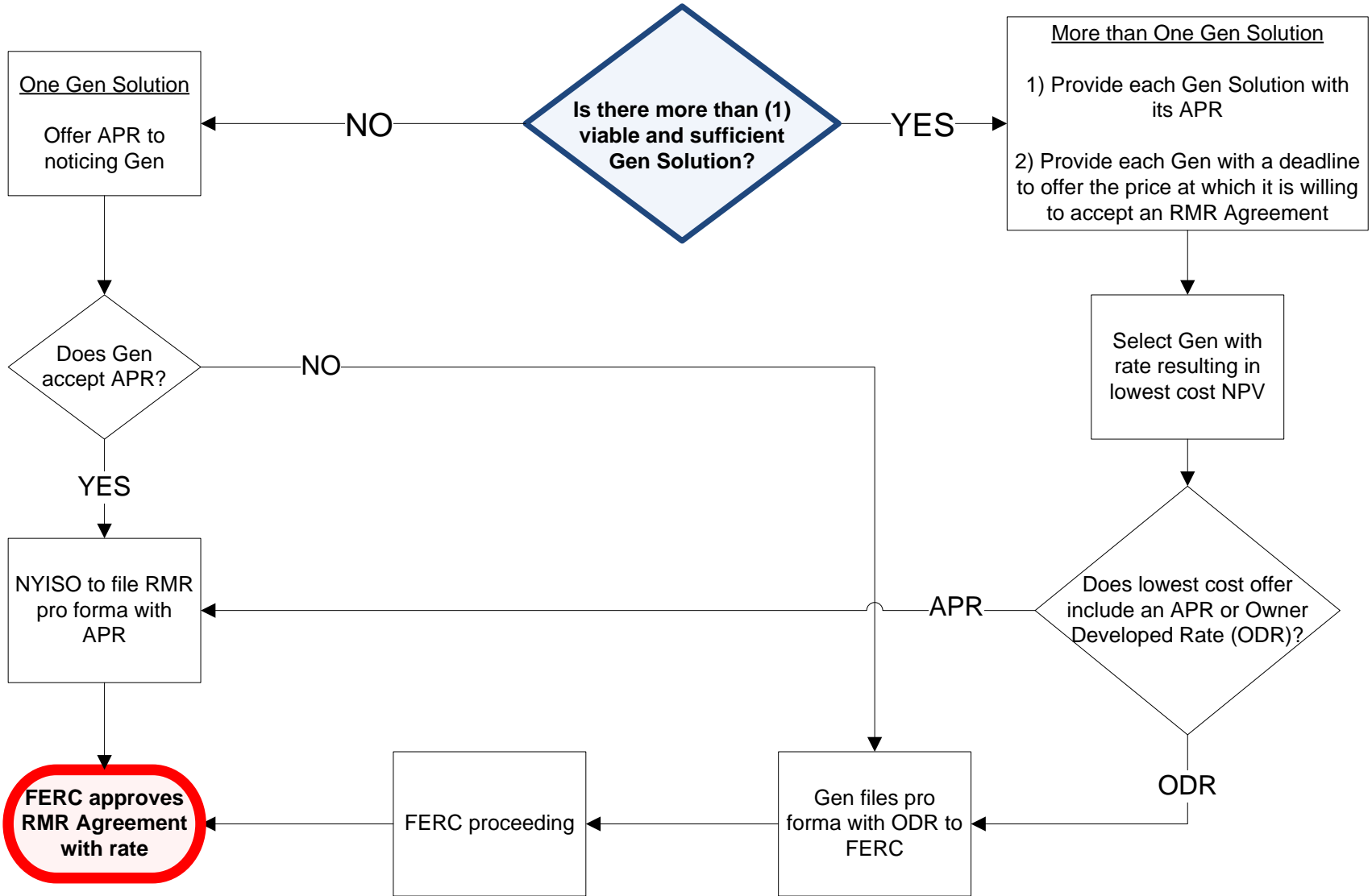
## ◆ Issue statement

- *Entering into an RMR Agreement is voluntary, and a Generator has the right to seek a rate other than the NYISO's APR at FERC*

## ◆ Proposal

- *Notify each Generator of their APR at the same time, and provide an opportunity for them to make an offer with the price at which they would be willing to provide RMR Service, if at all*
- *Select the Generator which submitted the offer resulting in the least cost solution to the reliability need*

# Selection Process Diagram



## ◆ Background

- *The NYISO considered when the tariff should include the authority to approve large Capital Expenditures, and when it is appropriate to present it to FERC for its determination*
  - Capital Expenditures above the NYISO proposed annual limits would require explicit approval from the FERC in order to be incorporated into the APR

## ◆ Limits on Capital Expenditures would apply in two scenarios

- *When executing an RMR Agreement with a Generator that requires a significant amount of CapEx in any year of the agreement*
- *When approving additional, unexpected expenditures that arise during the term of the RMR Agreement*
  - Such as those required to return a unit to service after an unexpected and significant forced outage

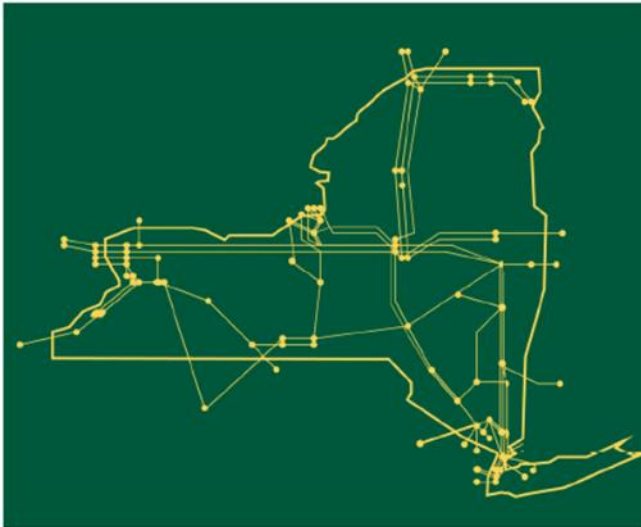
## ◆ Proposal

- *The NYISO is proposing a \$25M limit on annual CapEx for nuclear units, and a \$10M limit per unit on all other types of generation*
  - The NYISO examined CapEx budgets for coal units nearing the end of their useful life, and found that \$10M was reasonable considering that such a unit may have been deferring CapEx projects for up to three years ahead of noticing retirement
  - The NYISO also examined CapEx budgets for nuclear units, for which deferring CapEx projects is not a viable strategy and therefore may require annual CapEx of up to \$25M as part of the regular course of business

# Questions

- ◆ Questions? Comments?
- ◆ The NYISO will consider input received during today's meeting while preparing further tariff revisions and *pro forma RMR agreement*

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