

# New Capacity Zones Credit Policy

**Jim Scheckton**

*Credit Specialist*

*New York Independent System Operator*

**Credit Policy Working Group**

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*Rensselaer, NY*

# Background

- ◆ The NYISO presented its proposed credit policy for a New Capacity Zone (NCZ) at the January 25, 2013 CPWG.
  - *Market Participants requested the NYISO provide examples of how the NCZ credit requirement will be calculated.*
  
- ◆ The NYISO presented examples of how the NCZ credit requirement will be calculated at the February 22, 2013 CPWG.
  - *Market Participants requested the NYISO revisit the proposed credit policy and include consideration of ICAP auction clearing price rules from the NCZ design and the UCAP Based Reference Price as a cap.*
  
- ◆ The NYISO has taken Market Participant feedback into consideration and has revised its proposed credit policy for the NCZ.

# Revised Credit Policy: New Capacity Zones

- ◆ Proposed credit policy for NCZ:
  - *ICAP Strip and Monthly Bidding Requirement*
    - Calculate the same way as the existing capacity auction locations (i.e., the area to which an ICAP Demand Curve applies):
      - Bid \$ \* Bid MWs
  - *ICAP Spot Market Bidding Requirement*
    - Calculate the same way as the existing capacity auction locations.
    - The margin used for the NCZ will equal the highest margin of an existing Locality that falls within the NCZ:
      - Current ICAP Spot Market Bidding Requirement Margins:
        - *ROS*     *100% of Monthly Price*
        - *NYC*     *25% of Monthly Price*
        - *LI*       *100% of Monthly Price*
    - Based on the proposed credit policy the initial margin for the NCZ will be 100%, as any combination of capacity auction locations, (e.g., even if Zone J is included) will include a location with a margin requirement of 100%.

# Revised Credit Policy: New Capacity Zones

- ◆ Proposed credit policy for NCZ:

- *ICAP Spot Market Bidding Requirement (continued):*

- The price used for calculating the ICAP Spot Market Bidding Requirement will be determined utilizing two tests.

Test one:

- For NYC and LI the price will equal the higher of:
  - *Monthly clearing price provided by ICAP software plus margin of 25% for NYC (100% margin for LI).*
- or-
- *Monthly clearing price provided by ICAP software plus margin of 100% for G-K Locality.*
- For ROS and G-K Locality the price will equal the monthly clearing price provided by the ICAP software plus the appropriate margin (i.e. 100% each).

Test two: (specific to each Locality and ROS)

- The price will then equal the lower of:
  - *Calculated price in test one*
- or-
- *UCAP Based Reference Price*

# Revised Credit Policy: New Capacity Zones

- ◆ The CMS will continue to calculate Spot Market Bidding Requirements\* based on the Locality, Deficient MWs and Monthly Auction Clearing Price provided by the ICAP software.

## Example 1

Locality	Monthly Auction Clearing Price (MCP)	Margin on MCP	MCP + Margin	UCAP Based Reference Price (as of Winter 2012-13 Capability Period)	Lower of MCP + Margin or UCAP Based Reference Price	Deficient MWs	*Spot Market Bidding Requirement
NYC	\$ 7.00	25%	\$ 8.75				
		100%	\$ 14.00	\$ 20.57	\$ 14.00	10	\$ 140,000
ROS	\$ 1.00	100%	\$ 2.00	\$ 9.68	\$ 2.00	10	\$ 20,000
G-K	\$ 7.00	100%	\$ 14.00	**	\$ 14.00	10	\$ 140,000
LI	\$ 7.00	100%	\$ 14.00	\$ 11.20	\$ 11.20	10	\$ 112,000
						Total	\$ 412,000

Market Participant has requirements and deficiencies in all Localities.

\*Examples referring to the Spot Market Bidding Requirement do not include the calculation for excess capacity.

\*\* G-K UCAP Based Reference Price to be determined

# Revised Credit Policy: New Capacity Zones

- ◆ The CMS will continue to calculate Spot Market Bidding Requirements\* based on the Locality, Deficient MWs and Monthly Auction Clearing Price provided by the ICAP software.

## Example 2

Locality	Monthly Auction Clearing Price (MCP)	Margin on MCP	MCP + Margin	UCAP Based Reference Price (as of Winter 2012-13 Capability Period)	Lower of MCP + Margin or UCAP Based Reference Price	Deficient MWs	*Spot Market Bidding Requirement
NYC	\$ 9.00	25%	\$ 11.25				
	\$ 7.00	100%	\$ 14.00	\$ 20.57	\$ 14.00	10	\$ 140,000
ROS	\$ 1.00	100%	\$ 2.00	\$ 9.68	\$ 2.00	10	\$ 20,000
G-K	\$ 7.00	100%	\$ 14.00	**	\$ 14.00	10	\$ 140,000
LI	\$ 7.00	100%	\$ 14.00	\$ 11.20	\$ 11.20	10	\$ 112,000
						Total	\$ 412,000

Market Participant has requirements and deficiencies in all Localities.

\*Examples referring to the Spot Market Bidding Requirement do not include the calculation for excess capacity.

\*\* G-K UCAP Based Reference Price to be determined

# Revised Credit Policy: New Capacity Zones

- ◆ The CMS will continue to calculate Spot Market Bidding Requirements\* based on the Locality, Deficient MWs and Monthly Auction Clearing Price provided by the ICAP software.

## Example 3

Locality	Monthly Auction Clearing Price (MCP)	Margin on MCP	MCP + Margin	UCAP Based Reference Price (as of Winter 2012-13 Capability Period)	Lower of MCP + Margin or UCAP Based Reference Price	Deficient MWs	*Spot Market Bidding Requirement
NYC	\$ 12.00	25%	\$ 15.00	\$ 20.57	\$ 15.00	10	\$ 150,000
	\$ 7.00	100%	\$ 14.00				
ROS	\$ 1.00	100%	\$ 2.00	\$ 9.68	\$ 2.00	10	\$ 20,000
G-K	\$ 7.00	100%	\$ 14.00	**	\$ 14.00	10	\$ 140,000
LI	\$ 7.00	100%	\$ 14.00	\$ 11.20	\$ 11.20	10	\$ 112,000
						Total	\$ 422,000

Market Participant has requirements and deficiencies in all Localities.

\*Examples referring to the Spot Market Bidding Requirement do not include the calculation for excess capacity.

\*\* G-K UCAP Based Reference Price to be determined

# Next Steps

- ◆ New Capacity Zones (NCZ) Compliance Filing will be filed March 29, 2013.
  - *Credit policy tariff changes will be incorporated into the NCZ compliance filing.*
  
- ◆ The NYISO plans to review all other draft tariff compliance revisions with the ICAP Working Group on March 11.



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