

Generator Gas Balancing and Penalties Charges Reflected in Reference Level Development

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Problem Statement:

- ◆ **What gas balancing charges and/or penalties charges should the NYISO allow generators to potentially recover by including those costs in reference levels*?**

*A reference level is the NYISO's estimate of a generator's marginal cost and is used in the application of Market Mitigation.

NYISO Position

- ◆ **Outside the NAESB-standard gas scheduling window, if a generator cannot nominate additional gas, the NYISO will allow gas balancing charges to be included in reference levels, so long as the interstate/LDC/intrastate pipeline offers imbalance service and has not issued orders or instructions restricting the use of imbalance service.**
 - *This position should be seen as a compliment to, rather than a substitute for, efforts by the electric generator to purchase gas supply*

Balancing Charges

- ◆ **Balancing Charges are incremental fuel costs associated with actual usage above (or below) schedule.**
- ◆ **An example of a Balancing Charge for overburn:**

<u>Percentage Imbalance</u>	<u>Balancing Charge</u>
>0% to <=2%	Market Price for Gas
>2% to <=5%	125% of the Market Price for Gas
>5% to <=10%	135% of the Market Price for Gas
>10% to <=20%	140% of the Market Price for Gas plus \$10/MMBTu
>20%	150% of the Market Price for Gas plus \$10/MMBTu

- ◆ **Any of these balancing charges, including the \$10/MMBTu charge, would be allowable in reference levels so long as the interstate/LDC/intrastate pipeline that provides imbalance service has not issued orders (OFOs) or instructions restricting its use.**

Balancing During Normal Day-to-Day Operations:

- ◆ **NYISO expects that on a normal operating day (no OFOs), there are no significant gas system reliability issues.**
- ◆ **If a generator has an established balancing service with the interstate/LDC/intrastate pipeline, and is in a position to utilize this service for the purposes of offering into the NYISO's Real-Time Market in a competitive manner, the generator would be allowed to reflect expected incremental gas balancing costs in reference levels.**

Balancing During Normal Day-to-Day Operations: Continued

- ◆ **The LDC's have indicated they would like to be notified ahead of time when the Generators plan to rely on gas balancing service.**
 - ***The NYISO's gas-electric staff person may be involved in communications whenever the gas nominations appear insufficient to meet gas-fired generation schedules on Cold Days***

- ◆ **On days when balancing results in potential gas system reliability issues, the interstate/LDC/intrastate pipeline can invoke an Operational Flow Order.**

Penalty Charges during OFOs

- ◆ **Penalty Charges are assessed by interstate/LDC/intrastate pipeline for violating the terms of an Operational Flow Order.**
- ◆ **An example of an OFO:**
 - **Daily Balancing Limitations: Effective Thursday January 7th at 12:30 hrs. Over-burn is limited to two percent (2%) or less of daily scheduled deliveries until further notice.**
- ◆ **In this example, any gas consumed greater than 2% would be assessed a penalty charge.**
- ◆ **The NYISO will not permit the OFO penalty costs to be included in reference levels**

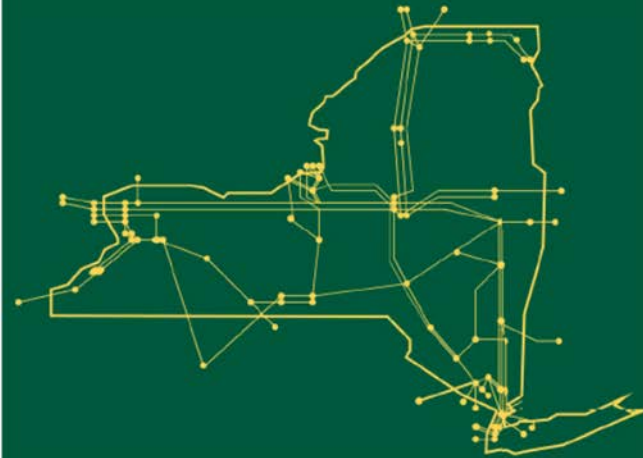
Penalty Charges during OFOs

Emergency Procedures defined in OATT Attachment BB

- ◆ **If a Critical Generator were called to run to ensure electric reliability, yet faced an OFO, the NYS Gas-Electric Coordination Protocol would be implemented.* If the interstate/LDC/intrastate pipeline permits the adjusted gas schedule, the generator would be allowed full cost recovery.**
- ◆ **Since the NYISO will not permit OFO penalty costs to be included in reference levels, the generator is not expected to utilize interstate/LDC/intrastate pipeline penalty gas charges during an OFO to develop its hourly offers.**

*In accordance with Attachment BB to NYISO's Open Access Transmission Tariff

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