A faint background map of New York State is overlaid with a network of grey lines representing the power grid. Various nodes in the network are marked with small colored dots in shades of blue, red, and purple.

Proposed ICAP Buyer-Side Mitigation Modifications- Competitive Entry Exemption, Reliability Exemption, Muni Exemption and Offer Floor Change

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Background

- ◆ Stakeholders and the NYISO worked on developing a Merchant Exemption/Competitive Entrant Exemption in 2013.
- ◆ At the December ICAP WG the NYISO proposed some alternatives including:
 - *Exemptions based on PJM CEE rules, and*
 - *ICAP market clearing rules based on the Alternative Pricing Rule (“APR”).*

Proposal

- ◆ **After considering stakeholder input on the different proposals, the NYISO is proposing to pursue:**
 - *The CEE/Merchant Exemption that was developed in 2013 with the addition of permissible “non discriminatory” procurement processes (based on the PJM CEE),*
 - *A Muni self supply exemption, and*
 - *Increasing the default Offer Floor for units that have been determined to be not exempt from buyer-side mitigation.*
 - **Note that the NYISO is not proposing to change the mitigation evaluation test (i.e., the 23.4.5.7).**
 - **The Offer Floor would still be lesser of this Mitigation Net CONE value and Unit Net CONE.**
- ◆ **The NYISO is proposing a reliability exemption for ICAP Resources that are designated by the NYISO as needed for reliability:**
 - *The NYISO is exploring as the basis for designation, e.g., the Regulated Backstop Solution under OATT Att. Y and for verified local reliability needs.*

Summary of the CEE Design

- ◆ **The competitive entry exemption is intended to exempt from Installed Capacity (ICAP) buyer-side mitigation measures (*i.e.*, exempt from Offer Floor) a new entrant that at the time of entry has not received, is not receiving, and does not have an agreement to receive support outside of competitive markets from an entity with an incentive to affect New York capacity prices.**

Summary of the CEE Design

- ◆ **The exemption would be granted if the project has no direct or indirect (i) contracts with, (ii) financial support from, or (iii) in kind support from any NY electric distribution company, Municipal Utility, or any NY state or local governmental entity, including but not limited to Public Authorities.**
 - ***Eligibility for the exemption will not be limited by***
 - **“fair market value” leases or sale agreements for land,**
 - **several different types of contracts, which are enumerated; e.g., interconnection agreements, developmental grants, etc (see the tariff for a full list),**
 - **state sponsored or state-mandated procurement processes that are Competitive and Non-Discriminatory, and**
 - **up to a *de minimus* amount.**

Summary of the CEE Design

- ◆ **Any NY electric distribution company, Municipal Utility, or any NY state or local governmental entity, including but not limited to Public Authorities are not eligible for the exemption if they build a project themselves.**

Summary of CEE Exemption Process

- ◆ **Prior to Start Date of the Class Year, developers can request a Competitive Entry Exemption.**
 - *The deadline for the request will be set by the NYISO and published on the NYISO web site.*
 - *The transition mechanism to be available to projects subsequent to Class Year 2012.*

- ◆ **Applicants that meet the CEE criteria will be granted an exemption from ICAP buyer-side mitigation**
 - *Applicants still must provide costs data used in the Unit Net CONE examination (“Part B Test”).*
 - *NYISO and the MMU will review and approve or deny exemption applications.*

Summary of CEE Exemption Process

- ◆ Application determination will be based on certifications by applicant.
 - *The NYISO may ask applicants to provide additional information.*
 - *A company officer must provide certifications.*
 - *The certification requirement has been revised from what was previously proposed to only require the applicant to certify.*
 - *There would be an initial certification at the time of application.*
 - *Recertification would be required at different points up to when the unit enters the market.*
 - *Applicants must notify NYISO if the certification is no longer true up to when the project first produces energy.*
- ◆ Concurrently, the NYISO will post on its website whether a request for a Competitive Entry Exemption was denied or granted, notify the project of the determination, and the Market Monitoring Unit shall publish a report on the NYISO's determination.

CEE Failure to Recertify- Summary of provision

- ◆ Failure to certify or recertify to the satisfaction of the NYISO, or the MMU, will result in the removal of the exemption and the unit being subject to the default Offer Floor.
 - *This design element is required because conducting a unit specific analysis would, if it occurred during the Class Year process, delay the completion of the Class Year process or, if the failure to recertify occurred after the Class Year Process was completed, the Offer Floor could not be determined.*

Summary of the Penalty for False Certification

- ◆ False, misleading, or inaccurate certification, or an attempt to circumvent the rules would violate the Services Tariff and would be referred to the MMU for referral to the FERC Office of Enforcement.
- ◆ In addition, a project that is determined to have provided a false, misleading, or inaccurate certification would be penalized unless the NYISO determines that it would have granted the Competitive Entry Exemption if complete and accurate information had been submitted.
 - *The penalty is the revocation of the exemption and a financial penalty of 1.5 times the maximum capacity revenue the unit could have earned in each month it offered.*
 - *The penalty is refunded to ICAP Suppliers in the same Mitigated Capacity Zone(s) as the project.*

Summary of the Reliability Exemption

- ◆ The NYISO is proposing a reliability exemption:
 - *The exemption would be granted to units (or MW amounts therefrom) based on a reliability determination by the NYISO.*
 - *The NYISO exploring the basis. Examples being explored are:*
 - A regulated solution or a alternative regulated solution that is designated by the NYISO as the Regulated Backstop Solution under OATT 31.2.5.7
 - A temporary waiver of the Offer Floor would be granted to a gap solution that was selected in response to the NYISO's determination of need for a gap solution under OATT 31.2.5.10.1 and 31.2.5.10.2 . The waiver would last until the gap solution is not needed and/or the permanent solution is in place. The MW clearing in these months would not count towards the 23.4.5.7.5 "clearing rule."
 - The exemption would also be granted for other reliability needs within the first 5 years of the RNA time frame identified by a NY TO or the NY PSC and subsequently validated by the NYISO, filed at FERC and approved by FERC.

Muni Self Supply Exemption

- ◆ **Municipal utilities could self supply so long as the proposed unit's capacity is not greater than the current LCR for the applicable Mitigated Capacity Zone times the highest load forecast for the municipal utility over the unit's Mitigation Study Period.**

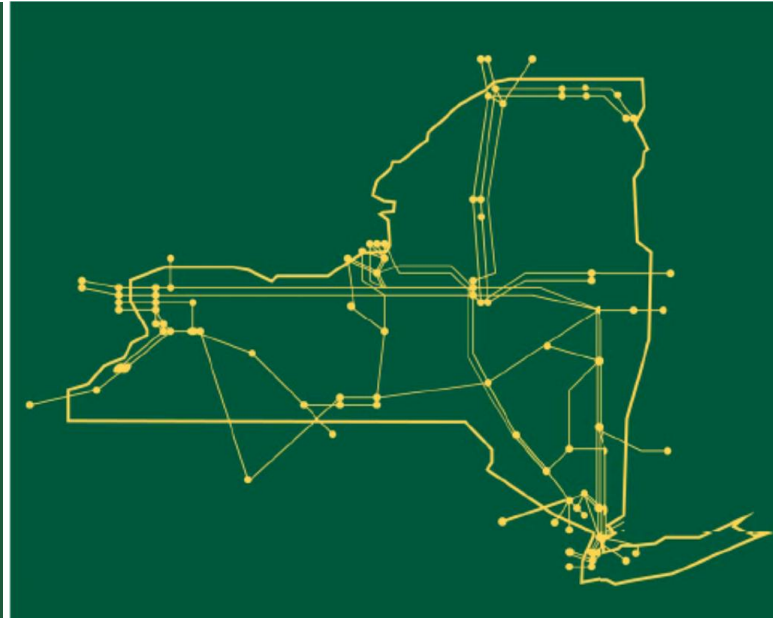
BSM Offer Floor Modification

- ◆ **Change the definition of Offer Floor for Examined Facilities/Projects that are not exempt to:**
 - *The lower of*
 - *Mitigation Net CONE (“MNC”) (i.e., change from 75% to 100%),*
or
 - *Unit Net CONE.*
- ◆ **The NYISO is not proposing to change the 23.4.5.7.2 test.**
- ◆ **Effective date of the offer floor modification**
 - *The NYISO will modify the tariff language to make the changes effective starting with Examined Facilities in Class Year subsequent to the Class Year 2012.*

Next Steps

- ◆ **The NYISO will post the tariff changes associated with this proposal as soon as practicable.**
 - *There are changes tariff sheets sent to the ICAP WG August 2 2013.*
- ◆ **If there is interest in additional review of the tariff language, the NYISO is willing to have an additional ICAP WG meeting prior to the BIC.**
- ◆ **Presentation for proposed vote at BIC 3/12.**
- ◆ **Presentation for proposed vote at MC 3/26.**

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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