

# New Capacity Zones Credit Policy

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# Background

- ◆ FERC's August 30, 2012 Order on New Capacity Zones (NCZ) (*Docket No. ER12-360*) accepted the NYISO's November 7, 2011 compliance filing with no modifications, effective January 9, 2012.
- ◆ The filing included a requirement to conduct a NCZ Study in order to determine if a NCZ is needed based on constraints.
- ◆ Results of the NCZ Study were reported to stakeholders on January 14, 2013.
  - *Tariff changes for the addition of a NCZ will be filed with FERC by March 31, 2013.*

## Credit Policy: New Capacity Zones

- ◆ The NYISO's existing credit policy for capacity currently applies to three established locations:
  - *Rest of State (ROS)*
  - *Long Island (LI)*
  - *New York City (NYC)*
  
- ◆ While no changes are proposed to be made to the credit policy pertaining to the established capacity locations, the NYISO's credit policy will need to account for New Capacity Zones.

# 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 locations with a margin requirement of 100%.

# 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	Requirement MWs	Deficient MWs	Monthly Auction Clearing Price (MCP)	Margin on MCP	*Spot Market Bidding Requirement
ROS	40	30	\$ 3.00	100%	\$ 180,000.00
NYC	30	20	\$ 5.00	25%	\$ 125,000.00
LI	20	10	\$ 3.00	100%	\$ 60,000.00
G-K	10	5	\$ 4.00	100%	\$ 40,000.00
				<b>Total</b>	<b>\$ 405,000.00</b>

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.

# 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	Requirement MWs	Deficient MWs	Monthly Auction Clearing Price (MCP)	Margin on MCP	*Spot Market Bidding Requirement
ROS	40	30	\$ 3.00	100%	\$ 180,000.00
NYC	30	0	\$ 5.00	25%	\$ 0.00
LI	20	0	\$ 3.00	100%	\$ 0.00
G-K	10	5	\$ 4.00	100%	\$ 40,000.00
				Total	\$ 220,000.00

Market Participant has requirements in all Localities but deficiencies in ROS and G-K only.

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

# 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	Requirement MWs	Deficient MWs	Monthly Auction Clearing Price (MCP)	Margin on MCP	*Spot Market Bidding Requirement
ROS	40	0	\$ 3.00	100%	\$ 0.00
NYC	30	20	\$ 5.00	25%	\$ 125,000.00
LI	20	0	\$ 3.00	100%	\$ 0.00
G-K	10	5	\$ 4.00	100%	\$ 40,000.00
				Total	\$ 165,000.00

Market Participant has requirements in all Localities but deficiencies in NYC and G-K only.

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

# 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 4

Locality	Requirement MWs	Deficient MWs	Monthly Auction Clearing Price (MCP)	Margin on MCP	*Spot Market Bidding Requirement
ROS	40	0	\$ 3.00	100%	\$ 0.00
NYC	30	0	\$ 5.00	25%	\$ 0.00
LI	20	10	\$ 3.00	100%	\$ 60,000.00
G-K	10	5	\$ 4.00	100%	\$ 40,000.00
				Total	\$ 100,000.00

Market Participant has requirements in all Localities but deficiencies in LI and G-K only.

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



# 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 5

Locality	Requirement MWs	Deficient MWs	Monthly Auction Clearing Price (MCP)	Margin on MCP	*Spot Market Bidding Requirement
ROS	40	0	\$ 3.00	100%	\$ 0.00
NYC	30	20	\$ 5.00	25%	\$ 125,000.00
LI	20	0	\$ 3.00	100%	\$ 0.00
G-K	10	0	\$ 4.00	100%	\$ 0.00
				Total	\$ 125,000.00

Market Participant has requirements in all Localities but deficiencies in NYC only.

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

# 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 6

Locality	Requirement MWs	Deficient MWs	Monthly Auction Clearing Price (MCP)	Margin on MCP	*Spot Market Bidding Requirement
ROS	40	0	\$ 3.00	100%	\$ 0.00
NYC	30	0	\$ 5.00	25%	\$ 0.00
LI	20	0	\$ 3.00	100%	\$ 0.00
G-K	10	5	\$ 4.00	100%	\$ 40,000.00
				Total	\$ 40,000.00

Market Participant has requirements in all Localities but deficiencies in G-K only.

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

# Next Steps

- ◆ New Capacity Zones (NCZ) Compliance Filing due by March 31, 2013.
  - *Credit policy tariff changes will be incorporated into the NCZ compliance filing.*
  
- ◆ The NYISO plans to review draft tariff compliance revisions with the ICAP Working Group, and the CPWG will be informed of that review.

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