

Concerns over Adopting a Summer-only DMNC Rating

Contribution of Seasonal Units to Winter Reliability – Adopting a summer-only DMNC rating for capacity would undervalue the contribution that temperature sensitive generators provide to the reliability of the electric system. Although the electric load in NY peaks during the summer heat waves, there is still a risk of loss of load during milder weather and during cold winter days. While the Multi Area Reliability Study (MARS) analysis indicates that the Loss Of Load Probability (LOLP) is very low in the winter, the results are themselves driven by the fact that the temperature sensitive units modeled within MARS can supply more load in the winter. It would be inappropriate (and send the wrong price signal) to capture the benefits of the temperature sensitive units without providing corresponding compensation. One approach to valuing the winter contribution of these units would be to run the MARS study assuming no seasonal increase to any generating units' ratings (i.e. keep the summer DMNC values constant throughout the year). The resulting ratio of winter to summer LOLP would indicate the relative reliability value by season and could be used to determine a weighted capacity value for individual units based on their respective winter and summer DMNC values. Although this approach may also require an adjustment to the reserve requirement (to put it on the same basis as the weighted DMNC), it would appropriately compensate generators for their contribution to both winter and summer reliability.

Impact of Single DMNC Rating on Other Market Rules – There are multiple market rules applicable to generators which track how their temperature sensitive ratings vary throughout the year (e.g. the obligation to offer the temperature adjusted DMNC into the Day Ahead Market, the calculation of availability based on ability to produce up to the temperature adjusted ratings and the applicability of mitigation measures on ICAP suppliers). If the ISO were to consider a summer-only DMNC rating, it would be inappropriate to apply these market rules to a generator's output that exceeds the DMNC rating. Consider for example a combustion turbine that sells 20 MW of capacity based on its summer DMNC rating but can produce 24 MW during the winter – only 20 MW should be subject to the NY ICAP rules and the generator should be able to offer the incremental 4 MW into external markets without subject to ICAP recall.