

# Proposed ICAP Buyer-Side Mitigation Modifications- Competitive Entry Exemption, Offer Floor Change, Renewable Generator Exemption, and Municipal Utilities/Coop Exemption

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# ICAP Buyer-side Mitigation (BSM) Proposals

- ◆ The NYISO is proposing
  - *A CEE/Merchant Exemption,*
  - *A modified default Offer Floor,*
  - *A Renewable Generator Exemption, and*
  - *Municipal Utility/Coop Exemption.*
- ◆ NYISO does not propose to include in this proposal an exemption for reliability
  - *The NYISO will explore the possibility of this exemption at a later date.*
- ◆ The proposed effective date of the modifications is for Examined Facilities in Class Years subsequent to Class Year 2012.

# Offer Floor Proposal

- ◆ **NYISO is proposing to change the definition of Offer Floor for Examined Facilities that are not exempt to:**
  - ***The lower of***
    - ***90% Mitigation Net CONE (“MNC”) (i.e., change from 75% to 90% ), and***
    - ***Unit Net CONE.***
- ◆ **The NYISO is not proposing to change the MNC percent utilized in the test under 23.4.5.7.2.**

# Renewable Generator Exemption

- ◆ **Proposing to exempt wind and solar units and all small (less than 50 MW) generators that have technology types eligible for NY Renewable Portfolio Standard (RPS).**
  - *The current BSM test does not fully account for the benefits (externalities) that these technologies have (as evidenced by their inclusion in the list of RPS technologies).*
  - *Wind and solar installations are usually expensive and have a low capacity factor/nameplate ratio (relative to other technologies.) They have little impact on capacity prices and are therefore an unlikely mechanism for exercising buyer side market power.*
  - *Small RPS eligible projects (less than 50 MW) are also exempt because they are generally expensive so potential benefits from capacity price decreases are at a significant cost.*
  - *Generators that are partially eligible for RPS would be exempt if they reasonably anticipate that the majority of their output would be eligible for RPS credits.*

# Municipal Utilities Exemption

- ◆ **Municipal Electric Systems (“Munis”) and Cooperatively Owned Electric Systems (“Coops”) in Mitigated Capacity Zones can request a BSM exemption for some or all CRIS MW of a proposed new Generator or UDR project.**
  - *The Examined Facility must be electrically located in a Mitigated Capacity Zone in which the Muni or Coop is serving load.*
- ◆ **The exemption will be for up to the lesser of the Muni or Coop’s net load MW (net of long term capacity supply contracts and any generation owned by the Muni or Coop) or 50 MW.**
  - ◆ *Net load MW means their load, including projected load growth for the next 10 years, net of any long term supply contracts (with more than 5 years remaining) and net of any ICAP resources owned by the Muni or Coop.*
- ◆ **If the generator is not owned by the Muni/Coop it needs to have a long term contract with the Muni/Coop for a minimum of 10 years.**
- ◆ **Each Muni or Coop is only eligible for one exemption every 10 Capability Years.**
- ◆ **The NYISO will consult with the MMU prior to making its determination.**
- ◆ **The exempt/non-exempt determination and MMU report will be posted to the NYISO’s website.**

# Summary of the CEE Design

- ◆ **The competitive entry exemption is an exemption from BSM (*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 NYISO 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, services agreements for natural gas, *etc.* (see the tariff for a full list), 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.*
- ◆ **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 after review, and consultation with the MMU, 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.*
  - *There would be an initial certification at the time of application.*
  - *Recertification would be required at different points up to when the unit first produces energy, and applicants must notify NYISO if the certification is no longer true up to when the project first produces energy.*
    - When the unit first produces energy is a proxy for when the developer has put its money on the line and built the generator or UDR.
- ◆ The NYISO will consult with the MMU prior to making its determination. The exempt/non-exempt determination and MMU report will be posted to the NYISO's website.

# 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 (for a maximum of 3 years).*
  - *The penalty is refunded to ICAP Suppliers in the same Mitigated Capacity Zone(s) as the project.*

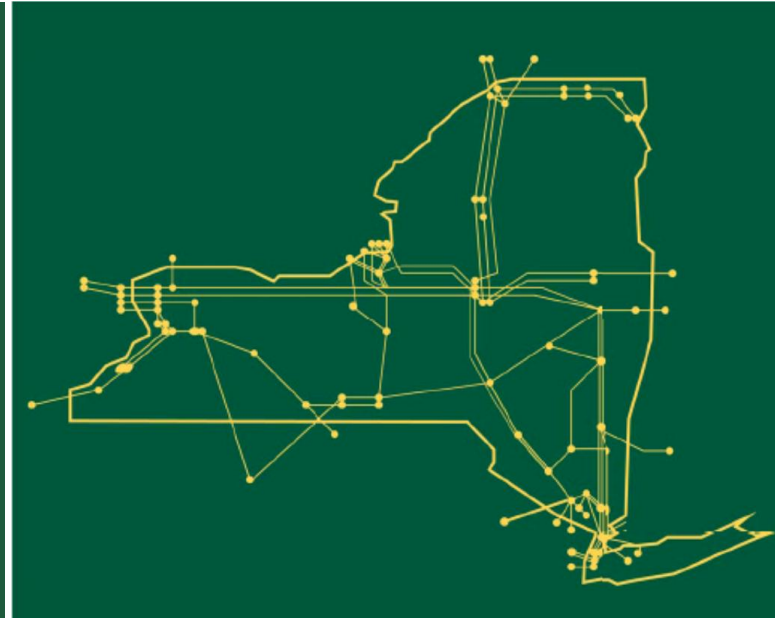
# Tariff Changes

- ◆ **MST 23.2**
- ◆ **MST 23.4**
- ◆ **MST 30.4 – cross references to changes in MST 23.4 have not yet been updated. They will be included in the BIC material.**
- ◆ **MST 30.6**
- ◆ **OATT 12.4**
- ◆ **Draft CEE Form of Certification and Acknowledgement (No Changes).**

# Next Steps

- ◆ May MC

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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