Annual ROS Capacity Withholding Report

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NYISO Installed Capacity Working Group November 3, 2009

Background

- FERC requires that the NYISO include in its annual report to the Commission on demand curves, a report on ICAP withholding in the Rest of State
- As previously reported, the NYISO has been exploring whether revisions to its methodology, inputs, or analysis may
  - *Minimize disputes (as occurred with past filings)*
  - *Provide a more useful report for FERC and stakeholders*
- In furtherance of the statement in the TOs filing to FERC on August 10, the NYISO and the TOs conferred in an attempt to narrow issues and concerns
- At the August 21 ICAPWG meeting, the NYISO invited stakeholders, individually or as a group, to provide input to the NYISO. At the October 8 ICAPWG meeting, the NYISO presented proposed changes to the report it was considering

ROS Withholding Report Enhancements

- Timing of annual reports
  - *Currently, the report is due in January and covers the last four months of the previous Winter Capability Period, the prior Summer Capability Period, and two months of the current Capability Period.*
  - *The NYISO plans to request FERC approval to adjust the reporting date to mid-December each year for the immediately preceding two full Capability Periods.*
    - *Same timing as the Gold Book Year (e.g., Winter 2009-2010 and Summer 2010, would be filed in December 2010).*
    - *The NYISO would file a report in January 2010 using the current reporting timeline.*

ROS Withholding Report Enhancements

- Establishing reporting thresholds
  - *The report will include:*
    - *An analysis of the capacity that was not offered in the Rest of State, by Capability Period and by market sector.*
    - *A narrative of the reasons given for the MW being unoffered, if due to a documented error, as described further on the next slide.*
    - *The maximum price impact of the unoffered MW.*

Establishing thresholds (cont'd)

- Why have thresholds?
  - *Prior NYISO reports grouped generators with unsold MW into "classes", and calculated class average estimates of net revenues to be used in calculating class-based net going forward costs ("GFCs").*
    - At times, the MW were not offered or offered but not sold was due to a Market Participant error. Calculating GFCs is not informative under these circumstances.
    - Sometimes the classes contained very few unsold MW.
- Therefore, the NYISO will report the documented Market Participant errors but proposes to exclude these MW from the GFC analysis
  - *These MW will be included in the reported maximum price impact of both unoffered and unsold MW.*

Establishing thresholds (cont'd)

- **The NYISO also is proposing thresholds to better determine when additional analysis will be performed**
  - *The NYISO will continue to report the maximum price impact of average monthly unsold capacity. The NYISO additionally is considering using two criteria to determine if class average GFCs should be calculated.*
    - Price impact thresholds: (1) $0.20/kW-mo. for the monthly average unsold capacity in a Capability Period, (2) $0.35/kW-mo. in any one month in that Capability Period.
      - *If either threshold is exceeded, the NYISO will calculate the class average Net GFCs, provided that the class had more than 15 MW of unsold capacity .*

Establishing thresholds (cont'd)

- Specifically:
  - If the $0.20/kW-mo. average threshold is exceeded, class average net GFCs will be calculated for classes with more than an average of 15 unsold MW per month over the Capability Period.
  - If the $0.20/kW-mo. average threshold is not exceeded, but the $0.35/kW-mo. monthly threshold is exceeded for one or more months, class average net GFCs will be calculated only for classes that had more than 15 unsold MW in those months in which the $0.35/kW-mo. monthly threshold is exceeded.
  - If both thresholds are exceeded, the respective rules of both tests will apply for the selection of classes.
  - In all instances, the NYISO will report the amount of unsold MW in each class, including the amount of MW that belong to classes with less than 15 MW of unsold capacity.

Class-Based Going Forward Costs

- *Class-based GFCs are defined for purposes of the report as costs that could reasonably be expected to be avoided or deferred if the plant was mothballed for at least one year (not including production costs.) GFCs may provide insight into why a generator offered its capacity at a non-zero offer.*
  - GFCs will continue to be calculated as they have been in past reports for the entire capacity of the plant.
- *Net GFCs are defined as GFCs minus class average net energy and ancillary services revenues.*
  - Net revenues are the class estimated energy plus ancillary services revenues minus estimated production costs. Class average net energy and ancillary services revenues will have a floor of zero.
- *In order to reflect an offer component of uncertainty associated with the net revenues, class-based net GFCs will be reported with and without certainty of net revenues:*
  - With certainty of net revenues, “Net GFCs with certainty of net revenues” will equal GFCs minus the full net revenue amount.
  - Without certainty, net revenues will be reduced to zero, and “Net GFCs without certainty of net revenues” will equal GFCs.

Class-based GFCs (con't)

- Next, the class-based Net GFCs will be compared to individual generators' offers.
  - Offers will be compared to Net GFC values with some uncertainty of net revenues; that is, one-half of net revenues.
  - If the generator's offer for unsold capacity is greater than the class-based Net GFCs calculated with some uncertainty, the NYISO will contact the market participant for further information about the capacity offer. The responses will be used to calculate Unit Specific Net GFCs.
    - Reported avoided costs that the generator could reasonably expect (but are not already included in the GFC estimates) will be used to construct unit specific net GFCs with recognized adjustments.
    - The NYISO will separately calculate unit specific net GFCs with all adjustments that the generator reports, if different from the unit specific net GFCs with recognized adjustments.

Unit Specific Net GFCs

- *The NYISO will calculate and report unit specific net GFCs for six scenarios:*
  - 1. Net GFCs with certainty of net revenues and no adjustments,
  - 2. Net GFCs with certainty of net revenues and recognized adjustments,
  - 3. Net GFCs with certainty of net revenues and all adjustments,
  - 4. Net GFCs without certainty of net revenues and with no adjustments,
  - 5. Net GFCs without certainty of net revenues and with recognized adjustments, and
  - 6. Net GFCs without certainty of net revenues and with all adjustments.

Reporting Unit Specific Net GFCs

- *Finally, for each month, for each of the six scenarios, the report will include:*
  - *The total MW of unsold capacity offered at a price above the unit specific net GFCs; and*
  - *The estimated price impact of all MW offered above a generator's unit specific net GFCs, for units whose net GFC is below the Spot Market clearing price. If no unit specific net GFC has been calculated the class-based GFC will be used.*
  - *The estimated price impact will be calculated by replacing the unsold MW offer prices with prices equal to the unit specific net GFCs or class average net GFCs, as available.*
  - *To complete the analysis of unsold capacity, the NYISO additionally will report the total number of MW of unsold capacity offered at a price less than unit specific net GFCs but greater than the Spot Market clearing price.*

Next Steps

- The NYISO plans to identify these enhancements to FERC in its November 12 filing
  - *We are currently working on the report for January and need to finalize the methodology so we can complete the work.*
- We continue to seek additional stakeholder input
  - *Comments should be sent no later than COB November 6 to Pete Lemme plemme@nyiso.com .*
    - Identify in the document whether you want the comments to be kept confidential or want them to be posted

The New York Independent System Operator (NYISO) is a not-for-profit corporation that began operations in 1999. The NYISO operates New York's bulk electricity grid, administers the state's wholesale electricity markets, and provides reliability and resource planning for the state's bulk electricity system.

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