

Proposal to Change the Minimum Performance Obligation for SCRs and ELRs

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**Joint Installed Capacity and Price-Responsive Load
Working Groups**

August 20, 2014

NYISO, Rensselaer, NY

Agenda

- ◆ **Stakeholder Feedback**
- ◆ **Revised proposal to change the minimum performance obligation for SCRs and ELRs**
- ◆ **Next Steps**

Stakeholder Feedback

- ◆ **Measure performance for all hours of a mandatory event**
- ◆ **Allow reconstitution of a SCR's Average Coincident Load (ACL) during event and performance test hours using RIP reported CBL-based energy reduction value for the SCR**
- ◆ **Explain increase to the Minimum Payment Nomination of a SCR from \$500/MWh to \$750/MWh**
- ◆ **Questions on load shape analysis**
- ◆ **Maintaining ELR and SCR comparability**

Revised Proposal to Change the Minimum Performance Obligation for SCRs

- ◆ Remove eligibility requirement and performance requirement at the individual SCR level
- ◆ Set eligibility requirement and performance requirement at the aggregation level
 - *Aggregations must perform for a minimum of six hours, or the duration of the mandatory event when fewer than six hours*
 - *Aggregation performance in a mandatory event will be based on the best consecutive six hours of response, or the duration of the mandatory event when fewer than six hours*
- ◆ This proposed change allows additional flexibility to the RIPs in utilizing SCRs to meet their capacity obligation for six hours with eligibility criteria consistent with system needs

Performance Measurement Across All Hours of a Mandatory Event

- ◆ Stakeholder feedback: Measure the performance of the SCR based on all hours of a mandatory event without a limit
- ◆ NYISO response: Keep initial proposal from July 21 ICAPWG to measure the performance based on the best consecutive six hours
 - *Although there is merit to having a performance measure that dynamically updates with system needs, in the past three years no events have been called for greater than six hours*
 - *The data presented at the July 21 ICAPWG supports a six hour performance measurement, even with increased levels of demand response*
 - *The NYISO is concerned that an unlimited performance measure will adversely effect the SCR program without a clear need for the change at this time. If the reliability need increases above six hours the NYISO will come back to the stakeholders to discuss the need to increase the performance obligation.*

Reconstitution of the ACL

- ◆ The NYISO agrees with stakeholder feedback to revise Capability Period and Monthly SCR Load Zone Peak Hours to include event and performance test hours that fall in the top 40 peak loads for the zone
 - *Prior to calculation of the individual SCR's ACL, metered loads reported for event and performance test hours that fall in the top 40 hours will be reconstituted using the CBL-based energy reduction value reported for the SCR for those hours*
 - *Performance will continue to be measured using the ACL methodology*
- ◆ This proposed change ensures the inclusion of high load hours in the SCR's ACL

Explanation of Increase to Minimum Payment Nomination

- ◆ **NYISO response: Keep initial proposal from July 21 ICAPWG to increase the Minimum Payment Nomination of a SCR from \$500/MWh to \$750/MWh**
 - *Enhances the short term performance incentives for response from SCRs, and all energy resources, during periods of critical reliability needs*
 - *Reflective of increased period of performance obligations*
 - Increase is comparable to increase in period of performance obligation
 - *SCR reliability based product costs should be appropriately positioned at the high end of supply curve of physical resources*
 - *Fast start unit (GT) costs routinely exceed \$500/MWh on critical peak days*
 - *Higher price is consistent with program rules in neighboring ISO programs. Promotes regional price consistency under comparable conditions.*
 - *Neighboring ISO programs allow DR to offer \$1000/MWh or more and require performance obligations greater than six hours*

Energy Payments for SCRs

- ◆ **SCRs that report required CBL data will be eligible for a LBMP energy payment for the greater of six hours or the duration of the event**
- ◆ **SCRs that report required CBL data will be eligible for a Bid Production Cost Guarantee (BPCG) payment for the greater of six hours or the duration of the event**

No change from initial proposal presented at the July 21 ICAPWG

Load Shape Analysis – Stakeholder Feedback

- ◆ **Alternative analysis of actual reserve shortages may be more appropriate**
- ◆ **Including ELR MW together with SCR MW in the load shape analysis may be more appropriate**

Load Shape Analysis – NYISO Response - 1

- ◆ **The NYISO believes that the load shape analysis presented at the July 21 ICAPWG is appropriate. The NYISO is continuing to evaluate additional data for this analysis.**
 - *SCRs are typically called to maintain reserves and to avoid reserve shortages. Analyzing actual reserve shortages does not indicate the duration SCRs would be needed.*
 - *ELRs are integrated into the real-time dispatch and can be dynamically adjusted every five minutes to provide either energy or reserves based on the system conditions. The NYISO believes it is appropriate not to benchmark ELRs against the load (energy) curve.*

Load Shape Analysis – NYISO Response - 2

- *The load shape analysis conducted by the NYISO is fundamentally consistent with the analysis performed by the PJM to identify maximum enrollment cap for its Limited DR program with six hour performance obligation.*
- *With respect to the argument that the change in requirements is not needed because resources respond for more than four hours, it is true that certain resources provide the required response for the duration of the event. However, as the NYISO reported at the March 26th Management Committee meeting, the data also shows that the SCR response during the 2013 events, which were longer than four hours, was not consistent across the duration of the event.*

Additional SCR Performance Obligation Provisions

- ◆ With a performance obligation at the aggregation level and the RIP ability to move SCRs between aggregations, RIPs will be required to confirm that the aggregation is capable of meeting its obligation for a minimum of six hours
 - *Confirmation is required for the first auction month the aggregation offers into the ICAP Market in the Capability Period*
 - *Confirmation is required for all subsequent months when a change is made to the aggregation during the Capability Period*
- ◆ The NYISO will monitor the performance of aggregations to review any aggregations that fail to respond for at least six hours of a mandatory event

Tariff Definition of ELRs

- ◆ **Energy Limited Resources (ELRs) are capacity resources that, due to environmental restrictions on operations, cyclical requirements, such as the need to recharge or refill, or other non-economic reasons, are unable to operate continuously on a daily basis, but are able to operate for at least four consecutive hours each day. Energy Limited Resources must register their Energy limiting characteristics with, and justify them to, the ISO consistent with ISO Procedures.**

Maintaining ELR and SCR Comparability

- ◆ Propose to include in the Tariff definition a requirement that ELRs “be able to operate for at least six consecutive hours each day on critical operating days”
 - *The calculation of the daily energy limit for ELRs will be revised to recognize the six hours operational requirement on critical operating days*
- ◆ NYISO believes that comparable treatment of ELRs and SCRs is appropriate, based on the current system needs, since both are limited resources. However, if system needs change further (for example a longer duration) it may be necessary to restructure the requirements and programs to further accommodate different resource capabilities.

No change from initial proposal presented at the July 21 ICAPWG

Identifying a Critical Operating Day when ELRs will be Required to Operate for Six Hours

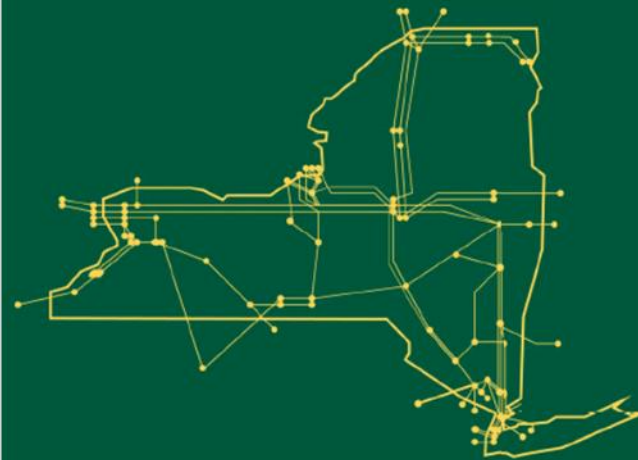
- ◆ **Conditions which may be considered to identify a critical operating day**
 - *Forecasted load levels*
 - *Forecasted reserve deficiencies*
 - *SCR Day Ahead Advisories*
- ◆ **NYISO Operations will communicate the critical operating days**
- ◆ **Additional details will be provided at an upcoming working group**

No change from initial proposal presented at the July 21 ICAPWG

Next Steps

- ◆ **September 2014: Return to ICAPWG with proposed Tariff language**
- ◆ **October 2014: BIC and MC vote on Tariff**
- ◆ **November 2014: Board approval and file Tariff**
- ◆ **Early 2015: Required ICAP Manual changes**
- ◆ **June 2015: Deployment to be effective for the Summer 2015 Capability Period**

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