

FERC's Order on Possible BSM for ROS and for Uneconomic Retention



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Background and Objective

- ◆ On March 19, 2015 the FERC issued an order directing the NYISO to establish, and report on, a stakeholder process
 - *150 FERC ¶ 61,214, FERC Docket No. EL13-62-000*
- ◆ In general, the FERC asked that the NYISO look at:
 - *Whether there are circumstances that warrant the adoption of BSM measures in Rest of State (ROS)*
 - *Whether there is a need for, and what mitigation measures would need to be in place to address, repowering agreements with the potential to suppress capacity prices*
- ◆ The NYISO's report to the FERC is due June 17, 2015

Background and Objective (con't)

- ◆ The FERC's Order noted that (¶69-71)
 - ***The unique aspects of the Dunkirk repowering agreement are cause for concern***
 - *"We are concerned that if the additional capacity created by the repowering agreement above the amount needed for short-term reliability is allowed to offer into the NYISO capacity market at prices below the cost of repowering, such capacity might deter new entry or displace less-costly existing capacity in NYCA."*
 - ***However, some questions remain that should be discussed through the NYISO's stakeholder process***
 - *"...there is no existing policy in NYISO for how buyer-side market power mitigation would apply to repowering agreements..."*
 - *"Thus, we would still need to develop criteria for evaluating repowered resources before applying mitigation..."*
- ◆ **The NYISO is seeking stakeholder input on the following:**
 - *"whether there are circumstances that warrant the adoption of buyer-side mitigation rules in the rest-of-state"*
 - *"whether resources under repowering agreements [that] have the characteristics of new rather than existing resources, triggering a buyer-side market power evaluation because of their potential to suppress prices in the capacity market and what mitigation measures need to be in place to address such concerns."*
 - The analysis the NYISO has begun and possible next steps

NYISO Study Objectives

- ◆ The NYISO has retained FTI Consulting to help it explore the question of whether there is a need to extend buyer-side mitigation measures to ROS
 - *The study will explore:*
 - The potential short-term and long-term impacts of supply subsidized by out-of-market payments
 - *The NYISO will examine these in light of the CONE*
 - What incentives there may be for Load Serving Entities in ROS to subsidize supply
 - The elasticity of ROS supply and its relevance to attempts to suppress prices
 - *Imports and exports, at a minimum, may be price responsive in the short term and could potentially counterbalance the addition of subsidized supply*
 - **Historic data and market behavior**

Repowering Agreements

- ◆ **The NYISO expects to leverage the results of the study on ROS mitigation**
 - *The findings of the study will help inform this analysis, however the costs associated with repowering and retention are highly variable*
 - *At a high level, the NYISO expects to evaluate the study's findings on the incentives and viability of short-term and long-term price suppression in light of the costs to repower or otherwise retain an existing out-of-market unit*

- ◆ **In addition, the NYISO is examining concerns with these types of agreements as part of the development of its response to FERC's RMR Order**

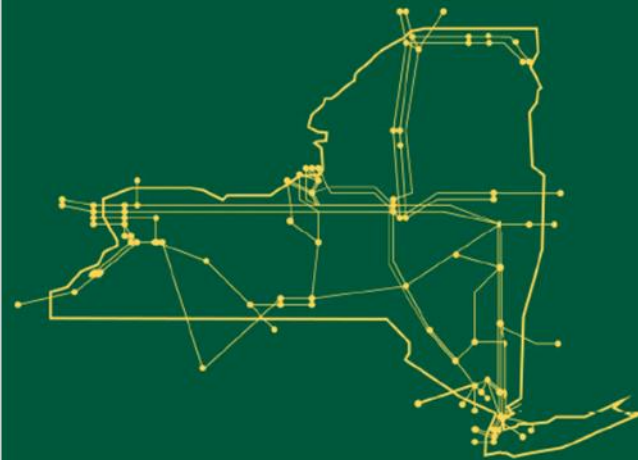
Discussion

- ◆ **Are there specific scenarios, circumstances, or facts that might warrant BSM in ROS?**
- ◆ **What would BSM measures for out-of-market repowering-type agreements look like?**
- ◆ **What additional items should the NYISO study consider?**

Next Steps

- ◆ The NYISO will consider input received during today's meeting
- ◆ The NYISO will seek input from Potomac Economics on the analysis performed by FTI and the NYISO
- ◆ Stakeholders are encouraged to provide comments and analysis in writing to deckels@nyiso.com
- ◆ The NYISO will return to Stakeholders at an ICAP Working Group in May to discuss and seek input on the results of the study
- ◆ The NYISO will consider that input and have a further discussion with stakeholders
- ◆ Compliance report is due June 17

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