

The FERC March 19, 2015 Order and Its Effect on Buyer-side Mitigation Examination of New Special Case Resources

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Agenda

- ◆ Background
- ◆ March 19, 2015 FERC Order
- ◆ Summary of BSM Mitigation Examination of new SCRs
 - *Overview*
 - *Process Flow Chart*
 - *Numerical Example*
- ◆ NYISO Enforcement of SCR Offer Floors
- ◆ Questions

Background

- ◆ On March 19, 2015 FERC issued an order changing one input in the NYISO's Tariff rule for buyer-side mitigation evaluation for new SCRs in NYC
 - *It required the NYISO to modify the test to no longer exclude certain payments and benefits in its BSM determination (the "Benefit Exclusion Rule")*
 - *150 FERC FERC ¶ 61,208, FERC Dockets No. EL07-39-006, ER08-695-004, ER10-2371-000*
 - *SCRs enrolled prior to March 19, 2015 will not be affected*
- ◆ The NYISO filed a request for expedited clarification regarding whether the Benefit Exclusion Rule also is to be in BSM determinations for new SCRs in the G-J Locality on March 30
- ◆ The NYISO submitted a filing in compliance with the March 19 Order on April 20
- ◆ Prior to the Order, all new SCRs had been determined to be exempt
- ◆ MST Att. H, Section 23.4.5.7.5 contains the SCR BSM test and a portion of the rule

SCR Mitigation Determination Process

- ◆ **The NYISO evaluates new SCRs in Mitigated Capacity Zones when they are first enrolled (presently, NYC and the G-J Locality)**
- ◆ **RIPs are required to submit the following components of the Offer Floor for each new enrollment:**
 - *contract terms for each resource for evaluation (e.g., “minimum monthly payment”),*
 - *the value of all other benefits or payments from a third-party for providing Installed Capacity*
- ◆ **If a RIP does not submit all the required data in the specified time period, the SCR is not an eligible resource**

SCR BSM Test

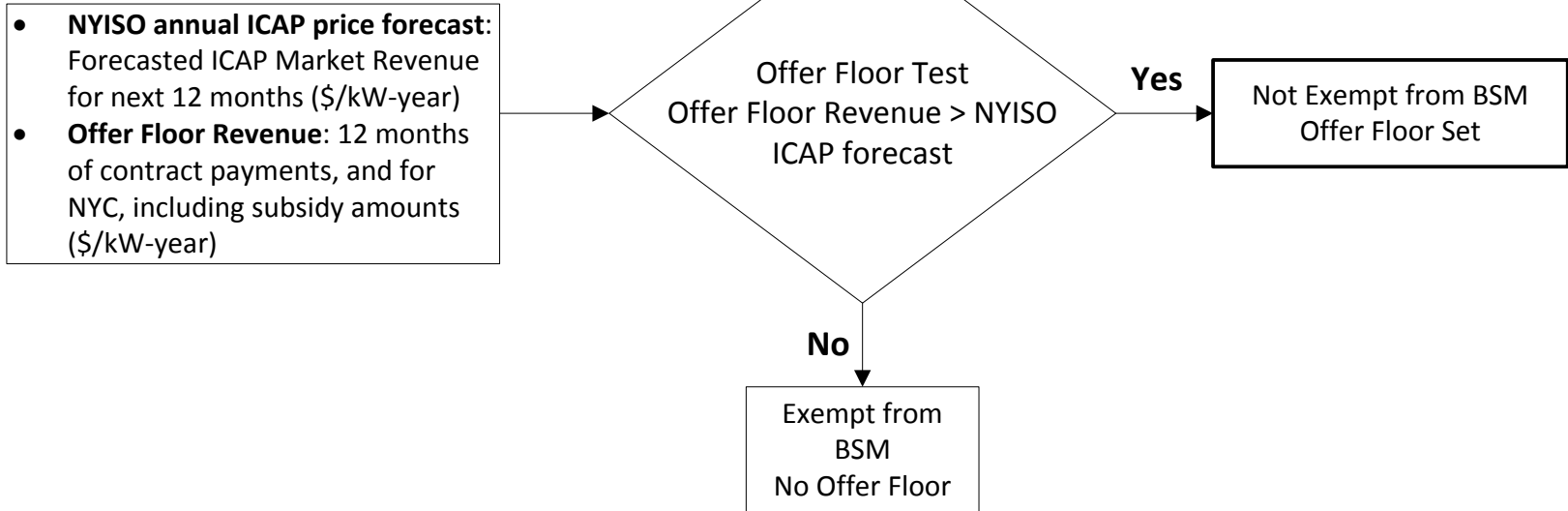
- ◆ **The Offer Floor has two components**
 - *Payment SCR receives from RIP based on NYISO-administered Installed Capacity Market*
 - *Payments/benefits SCR receives from NYS or from NYS approved programs, and any other payments/benefits received*

- ◆ **The Offer Floor is compared with the NYISO's ICAP price forecast**
 - *The Offer Floor and ICAP price forecast are compared over a 12 month period, starting with the first of month after enrollment*
 - *If (and only if) the Offer Floor > ICAP price forecast, the resource is not exempt and will be subject to its Offer Floor*

- ◆ **For non-exempt resources, Offer Floors are seasonally shaped to establish a monthly value**
 - *The NYISO notifies each RIP of a determination of exempt or not exempt.*
 - *If an SCR is not exempt, the NYISO states the Offer Floor*

- ◆ **The NYISO intends to send a notice to stakeholders the total amount of new SCR MW for which it issues a determination of “not exempt”**

Process Flow Chart



What did FERC's Order Change?

- ◆ **The Offer Floor calculated for each new SCR in NYC now includes previously exempt amounts:**
 - *Payments or the value of other benefits provided under programs administered or approved by New York State or a government instrumentality of New York State*
 - *For example (as of the date of this presentation):*
 - ConEd RIDER S – Commercial System Relief Program (CSRP)
 - ConEd RIDER U – Distribution Load Relief Program (DLRP)
 - NYSERDA rebate programs
 - *Currently, the above payments only apply to new SCRs in Zone J. FERC has not provided guidance on the NYISO's clarification request filed March 30th.*

Numerical Example for a New SCR in Zone J

- ◆ **NYISO Information**
 - *12 Month ICAP price forecast = \$130.00*
- ◆ **RIP Contract terms**
 - *75% of NYISO Auction – Payment Share*
 - *No Guaranteed Minimum Payment*
 - *No NYSERDA rebate*
 - *ConEd CSRP (Rider S) 80% share of Reservation Payment rate (\$10/kW-month)*
 - **ConEd CSRP Performance Factor (PF) = 85%**
 - *ConEd DLRP (Rider U) 90% share of Reservation Payment rate (\$6/kW-month for Tier 1 Network, \$10/kW month for Tier 2 Network)*
 - **ConEd DLRP Performance Factor = 95%**

Numerical Example for a New SCR in Zone J, (continued)

- ◆ Offer Floor Calculation
 - *Rider S Reservation Payment * PF % * Share%*
 - $\$10.00/\text{kW-month} * 85\% * 80\% = \$6.80/\text{kW-month}$
 - *Rider U Reservation Payment * PF % * Share%*
 - $\$6.00/\text{kW-month} * 95\% * 90\% = \$5.13/\text{kW-month}$
 - *Offer Floor other benefits = $\$11.93/\text{kW-month} * 5 \text{ Months} = \$59.65/\text{kW-year}$*

- ◆ RIP Projected ICAP Revenue
 - *ICAP price Forecast * Share %*
 - $\$130.00/\text{kW-year} * 75\% = \$97.50/\text{kW-year}$

- ◆ Total Offer Floor Revenue
 - *Offer Floor other benefits + projected ICAP revenue*
 - $\$59.65/\text{kW-year} + 97.50/\text{kW-year} = \$157.15/\text{kW-year}$

Numerical Example for a New SCR in Zone J, **(continued)**

- ◆ **ICAP Forecast versus Offer Floor Revenue**
 - *12 month ICAP price forecast is \$130.00/kW-year*
 - *Total Offer Floor Revenue is \$157.15/kW-year*
 - *Revenue exceeds Forecast: \$157.15/kW-year > \$130.00/kW-year*
 - Unit is subject to Offer Floor (not ~~n~~-exempt)

Numerical Example for a New SCR in Zones G, H or I

- ◆ **NYISO Information**
 - *12 Month ICAP price forecast for G-J = \$130.00*
- ◆ **RIP Contract terms**
 - *75% of NYISO Auction – Payment Share*
 - *No Guaranteed Minimum Payment*
 - *No NYSERDA rebate*
 - *ConEd CSRP (Rider S) 80% share of Reservation Payment rate (\$10/kW-month)*
 - **ConEd CSRP Performance Factor (PF) = 85%**
 - *ConEd DLRP (Rider U) 90% share of Reservation Payment rate (\$6/kW-month for Tier 1 Network, \$10/kW month for Tier 2 Network)*
 - **ConEd DLRP Performance Factor = 95%**

Numerical Example for a New SCR in Zones G, H or I (continued)

- ◆ Offer Floor Calculation
 - *Rider S & U Reservation Payment does not apply*

- ◆ RIP Projected ICAP Revenue
 - *ICAP price Forecast * Share %*
 - $\$130.00/\text{kW-year} * 75\% = \$97.50/\text{kW-year}$

- ◆ Total Offer Floor Revenue
 - *Offer Floor other benefits + projected ICAP revenue*
 - $\$0.00/\text{kW-year} + 97.50/\text{kW-year} = \$97.50/\text{kW-year}$

- ◆ ICAP Forecast versus Offer Floor Revenue
 - *12 month ICAP price forecast is $\$130.00/\text{kW-year}$*
 - *Total Offer Floor Revenue is $\$97.50/\text{kW-year}$*
 - *Revenue does not exceed Forecast: $\$97.50/\text{kW-year} < \$130.00/\text{kW-year}$*
 - Unit is not subject to Offer Floor (Exempt)

SCRs Subject to an Offer Floor

- ◆ MW of an SCR subject to an Offer Floor may only be offered into the ICAP Spot Market Auction. It is not eligible to be certified for a Strip or Monthly Auction sale or in a bilateral.
- ◆ Certification of SCR UCAP subject to an Offer Floor for a Strip or Monthly Auction sale, or bilateral will constitute a shortfall.
- ◆ Spot Market Auction rule:
 - *Offers by a RIP at a PTID shall be not lower than the highest Offer Floor applicable to a Special Case Resource providing Installed Capacity at that PTID.*
 - *Such offers may comprise a set of points for which prices may vary with the quantity offered.*
 - *If this set includes megawatts from a Special Case Resource(s) with an Offer Floor, then at least the quantity of megawatts in the offer associated with each Special Case Resource must be offered at or above the Special Case Resource's Offer Floor.*
- ◆ The NYISO AMS is not capable of will not automatically enforcing Offer Floors for SCRs
 - *It is the responsibility of the RIP to offer the SCR in accordance with the Offer Floor rules*
- ◆ The NYISO will monitor offers submitted for SCRs subject to an Offer Floor

Applicable Penalties

- ◆ **Shortfall – Non-Exempt if SCR Capacity was used to certify a Strip, Monthly or Bilateral sale**
 - *RIP has the opportunity to cover the shortfall in the Spot Auction with Capacity purchases*
 - *NYISO may place bids on behalf of RIP to cover the shortfall, if the shortfall is identified before the Auction*
 - *If a shortfall is identified after the Spot Auction, a penalty of 1.5 times the Spot Auction Price multiplied by the number of MWs constituting the shortfall will be assessed*

- ◆ **Attachment H Penalty – Non-Exempt SCR capacity was sold in a Spot Auction below its Offer Floor**
 - *If a RIP together with its Affiliated Entities submits one or more offers below the applicable Offer Floor, and such offer or offers cause or contribute to a decrease in UCAP prices in the Mitigated Capacity Zone of 5 percent or more, provided such decrease is at least \$.50/kilowatt-month, the RIP is subject to a penalty*
 - *Penalty is equal to 1.5 times the difference between the Market-Clearing Price for the Mitigated Capacity Zone in the ICAP Spot Auction for which the offers below the Offer Floor were submitted with and without such offers being set to the Offer Floor, times the total amount of UCAP sold by the Responsible Interface Party and its Affiliated Entities in such ICAP Spot Auction.*
 - *“Affiliated Entities” are defined in Services Tariff Section 23.2.1, and must be updated monthly by the date on the ICAP Event calendar*

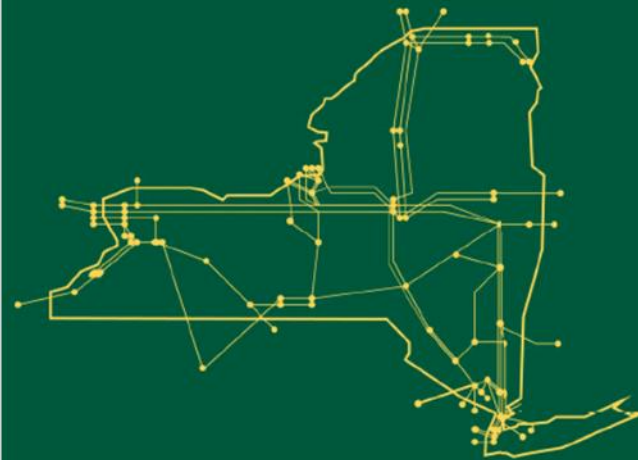
Duration of Offer Floor

- ◆ **A Non-Exempt SCR will continue to be subject to an Offer Floor beginning with the first month its UCAP is offered until it has offered and cleared its Installed Capacity in the ICAP Spot Market Auction, at a price at or above its Offer Floor for a total of twelve, not necessarily consecutive, months**
 - *The portion of the UCAP that clears for any 12 months will no longer be subject to an Offer Floor. That is, part of the SCR's UCAP can cease to be subject to an Offer Floor and the remainder will be continue to be subject to the Offer Floor until it clears*
- ◆ **If an SCR transfers to a new RIP, it will continue to be subject to its Offer Floor.**
 - *DRIS will track resources to ensure that non-Exempt SCRs will continue to be subject to an Offer Floor*

Questions

- ◆ **Questions?**
- ◆ **Stakeholders with questions on individual resources should submit them through their stakeholder services representative**

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