

Delivery From Off Dispatch Units Into the Real-Time Market

ISSUE: Current NYISO rules prohibit off-dispatch units from being paid for making deliveries into the real-time market.

FERC's 7/29/99 accepted the NYISO's rules for off-dispatch units but directed the NYISO to review:

- reliability risks of allowing delivery into the real-time market;
- whether it is appropriate to have different pricing for over and under generation;
- whether there are locational issues
- whether the LBMPs provide a sufficient signal to correct overgeneration problems

Deadline: November 17, 2000

Failure to Pay Generators for Excess Generation

The Commission accepted the Member Systems' proposal not to compensate generators for generation delivered above scheduled generation or above generation requested by the ISO.

Requests for Rehearing

IPPNY argues that this practice will prevent intermittent generators such as wind, photovoltaics, and small hydro from participating in the ISO's energy market since they cannot be dispatched by SCD or automatic generating control signals. In support of its argument, IPPNY states that the LBMP system will itself induce proper behavior, since the LBMP will tend to decrease as a unit generates more power, thereby providing an incentive for a generator to reduce its output. EPMI and IPPNY also claim that paying for excess generation enhances reliability in two ways. First, it provides generators the incentive to provide their best estimate for maximum availability for the next day. If they are not paid for excess generation, IPPNY claims that generators will overstate their next day availability to avoid scheduling less than their real-time output. Second, IPPNY claims that paying for excess generation allows generators to respond to the need for additional generation in the case of a contingency such as loss of a line or a generator.

Commission Response

The Member Systems have proposed to pay nothing for uninstructed overgeneration as a disincentive to overgenerate. They argue that a strong disincentive is necessary for uninstructed overgeneration because overgeneration creates reliability risks. Specifically, they argue that overgeneration (but not undergeneration or unscheduled deviations in load) creates the risk that transmission limits may be violated before the grid operator is able to take corrective action. We have no basis to reject the Member Systems' reliability concerns on this issue and will deny, at this time, the rehearing requests of IPPNY and EPMI.

However, the New York ISO should evaluate whether the circumstances in New York merit the continued different treatment of uninstructed overgeneration once it has gained operational experience. In this regard, the Member Systems proposal for New York treats uninstructed overgeneration differently from the ISOs operating real time energy markets in PJM, NEPOOL, and California. In these latter

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markets, most uninstructed generation faces the applicable real-time energy price.

As part of this evaluation, the ISO should examine whether the same pricing treatment should apply to all uninstructed overgeneration, regardless of the location of the generator or the transmission conditions, as the Member Systems propose. 51/ The ISO should evaluate whether the reliability risks of certain undergeneration (for example, by generators located on the import side of a transmission constraint) are different from the risks of overgeneration, and if not, whether different pricing treatment is appropriate for overgeneration and undergeneration.

The ISO should also evaluate whether the LBMP price signals are sufficient to address any overgeneration problems, as intervenors argue. 52/ The ISO should also evaluate whether harsher penalties than those proposed by the Member Systems should apply in limited circumstances where transmission limits are in imminent risk of being violated.

In addition, the ISO should consider market rules that accommodate the special operating characteristics of generators (such as wind, photovoltaic and hydro generators) that are unable to precisely forecast and schedule their energy production in advance. We direct the ISO to consult with stakeholders on these issues, and file a report on its conclusions and recommendations with the Commission one year after it begins market operations.

Current NYISO Rules For Off-Dispatch Units

- Off-Dispatch units may not sell directly into the real-time market. They may only change their schedules through the SCUC Day Ahead or Balancing Market Evaluation Process.
- Energy payment is based upon the scheduled delivery level.
- LBMPs are based upon the actual generation of the unit in the previous 5 minute period.
- If an off-dispatch unit delivers above its schedule then it donates the power to the NYISO energy market and pays a regulation penalty for being off its schedule.
- Generators that are told to reduce their schedules in the BME are at risk for real-time prices.

Reasons For Change

- Allowing off-dispatch units to deliver into the real-time market provides another energy source in responding to system disturbances and unexpectedly high prices.
- LBMPs already reflect the generators actual operation level and therefore capture the impact of the generators schedule on prices.
- If an off-dispatch unit provides more generation than the system can easily accommodate then the prices will drop sending the generator the signal to reduce its production level.
- 5 MW of increased generation from a unit has the same impact on the transmission system as 5 MW decreased load in the same area.
- Some generators have no ability to control their operating levels.

Potential Considerations for Future Rules

- Settle using the metered MWhrs as if they were the schedules for all off dispatch units.
- Allow off-dispatch units to have their base points based upon their actual generation for the previous SCD interval. This would make the payment consistent with the basis that is used for setting the LBMPs.
- Allow off-dispatch units to go on and off dispatch thereby allowing the NYISO to “direct” them to change their generating level.
- Other