

Proposed ICAP Buyer-Side Mitigation Modifications

Randy Wyatt and Dr. Nicole Bouchez

BIC Meeting

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NYISO, KCC

Rensselaer, NY

Agenda

- ◆ **Buyer-Side Mitigation Modifications**
 - *Repowering/Replacement/Increased CRIS*
 - *Competitive Entry Exemption*
 - *ICAP Buyer Side Mitigation Offer Floor*
- ◆ **Next Steps**

Repowering Exemption and Replacement Treatment



♦ Repowering exemption

1. **Threshold Criteria**
& Commitment to not reuse prime mover from **Exiting Capacity Facility in any Mitigated Capacity Zone unless it is not associated with an increase in the MW of CRIS or the energy output of the different existing facility**
2. **Proximity Test – (A) The perimeter of the Site containing the Exiting Capacity Facility, are within 500 feet of the perimeter of the entering Repowering Examined Facility, and**
(B) CRIS obtained through OATT Section 25 (Attachment S)
3. **Economic Viability Test (“EVT”) for Exiting Capacity Facility**

If satisfy all of 1, 2, and 3 above, eligible for Repowering Exemption:

the entering Repowering Examined Facility is exempt from Offer Floor up to the lesser of the number of exempt MW held by the exiting generator or the entering Repowering Examined Facility’s CRIS MW.

- ***All requested CRIS MW of the entering facility greater than the exempt MW of the exiting facility will be evaluated under the existing Buyer-side mitigation (“BSM”) rules.***

♦ Replacement treatment in BSM evaluation

1. **Threshold Criteria**
& Commitment to not reuse prime mover from **Exiting Capacity Facility in any Mitigated Capacity Zone unless it is not associated with an increase in the MW of CRIS or the energy output of the different existing facility**
2. **No Proximity Test (other than being in the same smallest mitigated capacity zone)**
3. **No EVT**

If satisfy threshold criteria, eligible for evaluation under Replacement provisions: NYISO BSM analysis will remove exempt MW of exiting facility from the supply forecast of the proposed entering facility only.

Generators must be replaced by generators, UDRs by UDRs

Repowering and Replacement Examined Facility Threshold Criteria

- ◆ **The Repowering Examined Facility or Replacement Examined Facility must:**
 1. *Trigger the requirement to submit a new Interconnection Request and,*
 2. *Replace one or more Exiting Capacity Facility(ies) in the same smallest Mitigated Capacity Zone and*
 3. *Submit a detailed written plan describing how and when the Generator or UDR project will take the place of the Exiting Capacity Facility(ies), and if the request is for a Repowering Examined Facility Exemption, a certification by a company officer that the Exiting Capacity Facility(ies) meet the Proximity Test Requirements.*

Repowering Exemption Test 1: Proximity Test

A. Site Perimeter

- 1. The perimeter of the Site that contains the Exiting Capacity Facility is within 500 feet of the perimeter of the site containing the Repowering Examined Facility; or*
- 2. The exiting and entering Repowering Examined Facility are within the same Site.*

B. CRIS Rights

- 1. Obtained through OATT Section 25 (Attachment S)*
- 2. Notwithstanding Section 25.9.3.1 of OATT Attachment S, each Exiting Capacity Facility associated with a Repowering Examined Facility or Replacement Examined Facility must release any CRIS not transferred to the Repowering Examined Facility or Replacement Examined Facility at the earlier of (i) its exit from the ISO-Administered Markets (i.e., in accordance with ISO Technical Bulletin No. 185, or its successor, as verified by the ISO) and (ii) the Permanent Exit Date.*

Repowering Examined Facility Exemption Test 2: Economic Viability Test (EVT)

- ◆ **The Exiting Capacity Facility will pass the EVT if:**
 - *avoidable costs < [forecasted net Energy & Ancillary Services revenues + forecasted ICAP revenue]*
 - *“avoidable costs” shall be the expenditures necessary to maintain the Exiting Capacity Facility in operable condition in accordance with Good Utility Practice for the duration of the EVT Test Period, as if the Exiting Capacity Facility was not exiting the market at the end of the EVT Test Period.*
 - includes mandatory capital expenditures to comply with Federal or State environmental, safety or reliability standards, plus costs that could be avoided if the existing facility retired permanently;
- ◆ **The evaluation and assessment will be performed by a 3rd party consultant, chosen by the NYISO, and paid for by the developer.**
- ◆ **MMU shall publish a report on the NYISO’s determination as soon as the determination is final, which will include the MMU’s conclusion on the EVT Consultant’s findings.**

Replacement Examined Facility Treatment

- ◆ **A Replacement Examined Facility that meets the Threshold Criteria will qualify for the following treatment:**
 - *The Exiting Capacity Facility will be removed from the supply forecast in the BSM evaluation.*
- ◆ **How will it work?**
 - *In each round of the class year, Replacement Examined Facilities who have opted for this treatment (and have not received a Repowering Generator Exemption) will be separately evaluated for mitigation with only their own energy revenues and capacity forecasts reflecting the Exiting Capacity Facility (unless it meets the definition of Expected Retirements).*
 - *If the Replacement Examined Facilities is found to be exempt that round, then it will be modeled in the BSM as having received an exemption.*
 - *This evaluation will be repeated in each round of the BSM evaluations.*

Buyer-Side Mitigation Increased CRIS Requests Proposal

- ◆ **Mitigation evaluations for additional CRIS requests**
- ◆ **Existing Buyer-Side Mitigation Tests**
 - *Part A and B tests (Attachment H, Sec. 23.4.5.7.2 of the Services Tariff) form the basis for buyer-side mitigation evaluation:*
 - *The Part A Test compares the annual price forecast, three Capability Years out from the Class Year, to the default Offer Floor for the corresponding Capability Year.*
 - *The Part B test compares the average annual three-year price forecast, three Capability Years out from the Class Year, to the Unit Net CONE.*

Buyer-Side Mitigation Increased CRIS Requests Proposal

<u>CRIS (i) Mitigation Status*</u>	Unit Net CONE(n) for CRIS(n)
Exempt Under Part B; Exempt Under Part A before Nov. 27, 2010; or was Grandfathered from Mitigation; Or the examined facility accepted all CRIS MW equal to or greater than 90% of the greater of (A) the Examined Facility's ERIS MW through prior Interconnection Requests or (B) the Examined Facility's nameplate MW in the Interconnection Request; AND the amount of Cleared UCAP is greater than the amount determined in MST 23.4.7.6.3	Eqn 1
All Other Cases*	The Greater of Eqn. 1 <u>and</u> Eqn. 2

$$\text{Unit Net CONE}(n) = \frac{\text{COST}(n)}{\text{CRIS}(n)} - \text{EAS}(n) \quad \text{Eqn.}(1)$$

$$\text{Unit Net CONE}(n) = \frac{\text{COST}(i) + \text{COST}(n)}{\text{CRIS}(i) + \text{CRIS}(n)} - [\text{EAS}(n) + \text{EAS}(i)] \quad \text{Eqn.}(2)$$

The Unit Net Cone will be compared to the three-year capacity price forecast for the Part B test.

- If ICAP Supplier is not required to submit a new Interconnection Request pursuant to Section 30.3.2.6 of Att X, the increased CRIS shall be subject to the same exemption or Offer Floor the ICAP Supplier first received.
- If the examined facility is subject to the Default Offer Floor because the ICAP supplier did not provide data to the ISO , Additional CRIS MW shall be subject to the Default Offer floor

Competitive Entry Exemption Design

- ◆ **The competitive entry exemption will exempt from Installed Capacity (ICAP) buyer side mitigation measures (*i.e.*, exempt it from Offer Floor mitigation) a new entrant that at the time of entry has not received, is not receiving, and does not have an agreement to receive support outside of competitive markets from an entity with an incentive to suppress New York capacity prices.**
- ◆ **Thus it allows such entrants to enter at their own risk and based on their own business outlook.**

Competitive Entry Exemption Design

- ◆ **The exemption would be granted if the project has no direct or indirect (i) contracts with, (ii) financial support from, or (iii) in kind support from any NY electric distribution company, Municipal Utility, or any NY state or local governmental entity, including but not limited to Public Authorities.**
 - ***Eligibility for the exemption will not be limited by***
 - **“fair market value” leases or sale agreements for land,**
 - **several different types of contracts, which are enumerated; e.g., interconnection agreements, developmental grants, etc (see the tariff for a full list) and**
 - **up to a *de minimis* amount.**

Competitive Entry Exemption Design

- ◆ **A NY electric distribution company, Municipal Utility, or any NY state or local governmental entity including, but not limited, to Public Authorities.**
- ◆ **Those entities are not eligible for the exemption if they build a project themselves.**

Competitive Entry Exemption Process

- ◆ **Prior to Start Date of the Class Year, developers can request a Competitive Entry Mitigation Exemption.**
 - *The deadline for the request will be set by the NYISO and published on the NYISO web site.*
 - *The transition mechanism provides for it to be available to projects in Class Year 2012 (and subsequent Class Years).*
- ◆ **Applicants that meet the criteria will be granted an exemption from ICAP buyer-side mitigation**
 - *Applicants still must provide costs data used in the Unit Net CONE examination (“Part B Test”).*
 - *NYISO will review and approve or deny exemption applications. The MMU will provide input to the NYISO prior to the NYISO’s determination.*
- ◆ **Application determinations will be based on certifications by applicants.**
 - *The NYISO may ask applicants to provide additional information.*
 - *A company officer must provide certifications.*
 - *The certification requirement has been revised so that it now requires the developer to collect certifications from investors financing or sponsoring the development of the Project, and each holder of a debt or equity interest in the Project.*
 - *There would be an initial certification at the time of application.*
 - *Recertification would be required at different points up to when the unit enters the market.*
 - Applicants must notify NYISO if the certification is no longer true up to when the project first produces energy.
- ◆ **The NYISO will post on its website whether a request for a Competitive Entry Exemption was denied or granted as soon as its determination is final. Concurrently the Market Monitoring Unit shall publish a report on the ISO’s determination.**

CEE - Failure to certify

- ◆ **Failure to certify or recertify to the satisfaction of the NYISO, after consultation with the MMU, will result in the removal of the exemption and the unit being subject to the default Offer Floor.**
 - *This design element is required because conducting a unit specific analysis would, if it occurred during the Class Year process, delay the closing of the Class Year process or, if the failure to recertify occurred after the Class Year Process was completed, the Offer Floor could not be determined.*

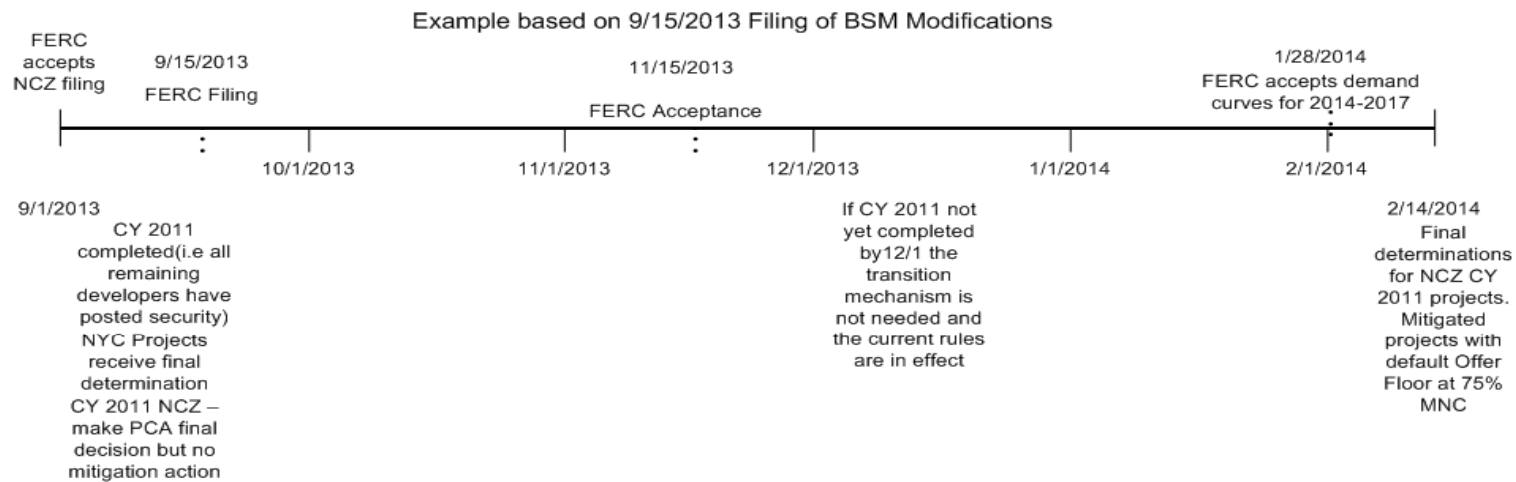
CEE – Consequences of False Certification

- ◆ **False, misleading, or inaccurate certification or an attempt to circumvent the rules would violate the Services Tariff and would be referred to the MMU for referral to the FERC Office of Enforcement.**
- ◆ **In addition, a project that is determined to have provided a false, misleading, or inaccurate certification would be penalized unless the NYISO determines that it would have granted the Competitive Entry Exemption if complete and accurate information had been submitted.**

Offer Floor Modification

- ◆ **The proposal is to change the definition of Offer Floor for Examined Facilities/Projects that are not exempt to:**
 - *The lower of*
 - Mitigation Net CONE (“MNC”) (i.e., change from 75% to 100%), or
 - Unit Net CONE
- ◆ **Effective date of the proposed modification**
 - *The changes will be effective starting with units in Class Year 2012.*

Timeline Example



Repowering	Repowering Transition Mechanism may make NYC non-binding if eligible for repowering Transition Mechanism Sunset Date Applies to NYC and NCZ
Competitive Entry	Proposal is to apply to CY 2012 Requests for CEE in CY 2012 due 30 days after Filing
Offer Floor	Offer Floor Determinations at lower of Unit Net CONE(UNC) or 75% of Mitigation Net CONE (MNC) for CY 2011 Offer Floor Determinations at lower of Unit Net CONE(UNC) or Mitigation Net CONE (MNC) for CY 2012

DRAFT : FOR DISCUSSION PURPOSES ONLY

Tariff revisions

- ◆ **MST Section 2.21**
- ◆ **MST Section 23.2**
- ◆ **MST Section 23.4***
- ◆ **MST Section 30.4**
- ◆ **MST Section 30.6**
- ◆ **OATT Section 12.4**
- ◆ **OATT Section 25.9**
- ◆ **OATT Section 30.3**
- ◆ **OATT Section 30.4**
- ◆ **OATT Section 30.14**
- ◆ **OATT Section 32.1**
- ◆ **OATT Section 32.5**

* Changes from version posted 8/2:

23.4.5.7.8.1.2 (c) provides physical or financial support to a Generator or UDR project that the ISO determines, after consultation with the MMU, ~~determines~~ constitutes non-competitive entry.

23.4.5.7.8.1.3 typographical error corrected in last sentence: provisions to provision.

23.4.5.7.8.1.4 clarification: “All contracts described in 23.4.5.7.8.1.2 and not otherwise excluded pursuant to sections 23.4.5.7.8.1.3 (i) – (x)”

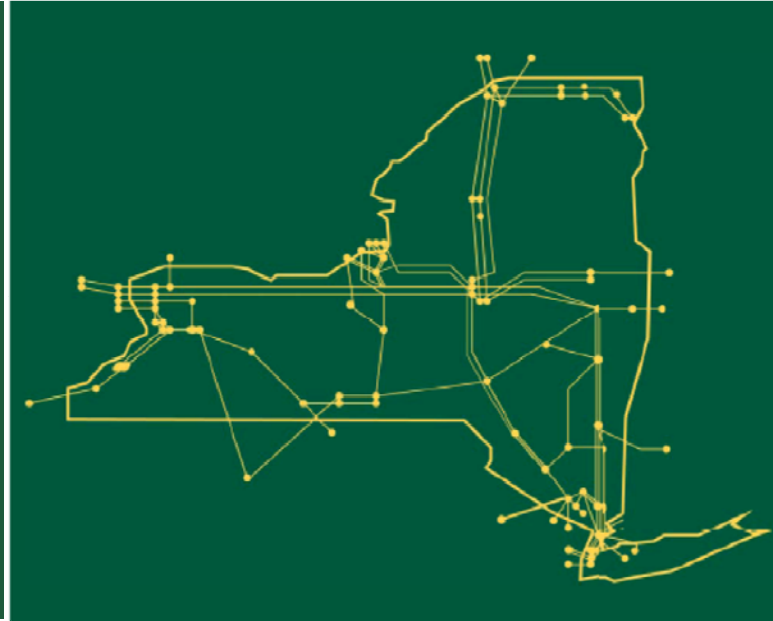
Certification Forms

- ◆ **Draft Form for Certification – CEE**
- ◆ **Draft Form for Certification – Repowering**

Planned Next Steps

- ◆ **August 28, 2013** **Management Committee vote**

The New York Independent System Operator (NYISO) is a not-for-profit corporation responsible for operating the state's bulk electricity grid, administering New York's competitive wholesale electricity markets, conducting comprehensive long-term planning for the state's electric power system, and advancing the technological infrastructure of the electric system serving the Empire State.



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