

FERC Order 831

Compliance

Offer Caps

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Agenda

- Background
- Tariff Revisions
- Timeline

Background

- **January 21, 2016**
 - FERC issued a NOPR under which resources would be allowed to submit bids beyond the existing \$1,000 bid cap, subject to cost verification.
- **April 4, 2016**
 - The NYISO filed comments in response to the NOPR generally supporting a soft cap of \$1,000/MWh, while advising that a consistent hard cap among regions is needed to address market seams concerns
- **November 17, 2016**
 - FERC issued Order 831 on Offer Caps
- **December 19, 2016**
 - The NYISO submitted a request for clarification/rehearing
- **May 8, 2017**
 - The NYISO will file tariff revisions with FERC in its compliance filing for Order 831

Today's Meeting

- **Seek Market Participant feedback on draft tariff language before the NYISO submits this language to FERC with its compliance filing**

Market Rule Revisions Overview

- **\$1,000/MWh soft cap**
 - The NYISO will verify that offers greater than \$1,000/MWh and less than or equal to \$2,000/MWh accurately reflect a resource's cost before such offers are included in the market software
 - Such offers will be eligible to set price, as long as the NYISO is able to verify the offer before the market software runs

Market Rule Revisions Overview

- **\$2,000/MWh hard cap**
 - Offers greater than \$2,000/MWh will be capped at \$2,000
 - Offers greater than \$2,000 will not be eligible to set price
 - Offers will not be used in the physical dispatch

Market Rule Revisions Overview

- All verified offers will be eligible for Bid Production Cost Guarantee (BPCG) and Day-Ahead Margin Assurance Payments (DAMAP)

Tariff Revisions

MST 21, Attachment F – Bid Restrictions

- **21.1 Definitions**
 - Add a reference to section 21.4 to the definition of “Bid Restriction”
- **21.2 Supremacy of Attachment F**
 - Note that the Bid Restrictions of Attachment F do not prevent the NYISO from applying mitigation
- **Delete section 21.3**
- **21.4 Establishment of Bid Restrictions**
 - States that a bid exceeding the bid restriction may be automatically rejected or may reduced by the NYISO to comply with the bid restriction

MST 21, Attachment F – Bid Restrictions

- **21.4.1 Incremental Energy Bids and Minimum Generation Bids**
 - Maximum DA and RT Incremental Energy Bids and Minimum Generation Bids submitted for NYCA Resources are restricted to the higher of \$1,000/MWh or a Resource-specific, verified, cost-based reference level
 - Bids exceeding this maximum Bid restriction shall be reduced
 - For purposes of price-setting, commitment and dispatch, Incremental Energy Bids and Minimum Generation Bids submitted for NYCA Resources shall not be permitted to exceed \$2,000/MWh
 - The NYISO will pay BPCG for timely submitted, verified Bid costs exceeding \$2,000/MWh
 - Incremental Energy Bids and Minimum Generation Bids submitted for NYCA Resources shall be restricted to no less than -\$1,000/MWh

- **21.4.2 Bids to Import or to Export Energy**
 - DA and RT Decremental Bids and Sink Price Cap Bids are limited to a minimum of -\$2,000/MWh and a maximum of \$2,000/MWh

MST 21, Attachment F – Bid Restrictions

- **21.4.3 Bids to Schedule Wheels Through the NYCA**
 - DA and RT Decremental Bids to schedule Wheels Through the NYCA are restricted to a minimum Congestion Component of $-\$2,000/\text{MWh}$ maximum of $\$2,000$
- **21.4.4 CTS Interface Bids**
 - RT CTS Interface Bids are restricted to a minimum spread Bid of $-\$1,000/\text{MWh}$ and a maximum spread Bid of $\$1,000/\text{MWh}$
- **21.4.5 Virtual Load Bids and Virtual Supply Bids**
 - DA Virtual Load and Supply Bids are restricted to a minimum of $-\$2,000/\text{MWh}$ and a maximum of $\$2,000/\text{MWh}$
- **21.4.6 Price Cap Load Bids**
 - DA Price Cap Load Bids are restricted to a minimum of $-\$2,000/\text{MWh}$ maximum of $\$2,000/\text{MWh}$

MST Attachment C – Formulas For Determining Bid Production Cost Guarantee Payments

- **Non-Eligibility (multiple sections)**

- The Sections listed below state that Incremental Energy Bid costs and Minimum Generation Bids that exceed \$1,000/MWh are only eligible for inclusion in a Day-Ahead Bid Production Cost guarantee payment in accordance with Sections 21.4.1 and 23.7.[?] of the Services Tariff
 - 18.2.1.2
 - 18.4.1.2
 - 18.5.1.2
 - 18.8.1

MST 23.7, Attachment H – Bid Restrictions for Incremental Energy

Bids and Minimum Generation Bids for NYCA Resources

- MST 23.7 Attachment H is new
- 23.7.1
 - States that the rules in Section 23.7 are needed to implement the Bid Restrictions set forth in Section 21 of the MST
- 23.7.2—Cost Comparison
 - If a Incremental Energy Bid or Minimum Generation Bid is in compliance with the proposed submission and verification requirements, then the NYISO shall compare the bid to a cost-based reference level to determine if a Bid Restriction should be applied
- 23.7.2.1
 - If any component of an Incremental Energy bid exceeds \$1,000/MWh, or if a Minimum Generation Bid exceeds \$1,000/MWh, then the NYISO shall use cost-based reference levels to determine if a Bid Restriction should be applied

MST 23.7, Attachment H – Bid Restrictions for Incremental Energy

Bids and Minimum Generation Bids for NYCA Resources

- 23.7.2.2
 - If the cost-based reference level is less than or equal to \$1,000/MWh, then the NYISO shall restrict the Incremental Energy Bid or Minimum Generation Bid that exceeds \$1,000/MWh to \$1,000/MWh
 - The Bid Restriction will apply to those components of an Incremental Energy Bid curve that exceed \$1,000/MWh
 - All such restricted bids will still be tested for conduct and impact under the rules in the Mitigation Measures
- 23.7.2.3
 - If the cost-based reference level is greater than \$1,000/MWh, but not more than \$2,000/MWh, then bids exceeding the cost-based reference level shall be reduced to equal the cost-based reference level
 - This process may result in some components of an Incremental Energy Bid curve being reduced, but not others
- 23.7.2.4
 - If the NYISO's cost-based reference level exceeds \$2,000/MWh, then \$2,000/MWh will be used
 - Verified Bid costs exceeding \$2,000/MWh may be recovered through BPCG

MST 23.7, Attachment H – Bid Restrictions for Incremental Energy

Bids and Minimum Generation Bids for NYCA Resources

- 23.7.3
 - This section discusses submission and verification of Incremental Energy Bids and Minimum Generation Bids above \$1,000/MWh, as well as updates to Generators' cost-based reference levels
- 23.7.3.1
 - Specify that **all** NYCA Generators submitting an Incremental Energy Bid or Minimum Generation Bid exceeding \$1,000/MWh must submit revised fuel type or fuel price information to the Market Information System
 - Bids must be submitted prior to market close

MST 23.7, Attachment H – Bid Restrictions for Incremental Energy

Bids and Minimum Generation Bids for NYCA Resources

■ 23.7.3.2—Day Ahead Bids

- Information supporting the fuel costs a Resource expects to incur in order to produce Energy must be submitted no later than 1:00 pm on the day before the relevant DA market is run

■ 23.7.3.3—Day Ahead Bids

- Information supporting costs other than fuel costs to justify an Incremental Energy Bid or Minimum Generation Bid that exceeds \$1,000/MWh must be submitted no later than 9:00 am on the day before the relevant DA market is run

■ 23.7.3.4—Day Ahead Bids

- A Market Party failing to timely submit the information required at Section 23.7.3.2 or 23.7.3.3 shall not be eligible to recover opportunity cost or risk adders that were not included in the cost-based reference levels

MST 23.7, Attachment H – Bid Restrictions for Incremental Energy

Bids and Minimum Generation Bids for NYCA Resources

■ 23.7.3.5—Real Time Bids

- In order for a RT Incremental Energy or Minimum Generation Bid that exceeds \$1,000/MWh to be considered timely, cost information sufficient to justify requested changes to cost-based reference levels to accommodate RT bids must be included in a Generators cost-based reference level for the relevant RT market hour

■ 23.7.3.6—Real Time Bids

- A Market Party is only eligible to recover opportunity costs and risk adders that were included in reference levels for the RT market hour in question

MST 23.7, Attachment H – Bid Restrictions for Incremental Energy Bids and Minimum Generation Bids for NYCA Resources

■ 23.7.4.1 Under Development

- Will identify the Demand Side Resources that are eligible to submit Incremental Energy Bids

■ 23.7.4.2 Reference Level Development for Demand Side Resources

- Market Parties submitting Incremental Energy Bids or Minimum Generation Bids greater than \$1,000/MWh on behalf of Demand Side Resources must complete certain procedures to develop cost based reference levels for their Demand Side Resource in advance
- A detailed estimate of the Demand Side Resource's incremental costs of providing load reduction, created through a reference level development consultation with the ISO, must be submitted at least 30 days prior to the start of the relevant Capability Period for an existing resource, or prior to the completion of the ISO's registration process if the resource is entering the market for the first time
- The Market Party is responsible for informing the ISO of substantial changes to its Demand Side Resource's incremental costs of providing load reduction
 - The resource must submit updated cost information to the ISO at least annually
- If the ISO does not have an up-to-date cost based reference level in place for a Demand Side Resource, then the Market Party will not be permitted to submit bids exceeding \$1,000/MWh for that resource



MST 23.7, Attachment H – Bid Restrictions for Incremental Energy

Bids and Minimum Generation Bids for NYCA Resources

- **23.7.4.3—Demand Side Resources**
 - This Section details the process for Submitting Incremental Energy and Minimum Generation Bids that exceed \$1,000/MWh
 - If the Demand Side Resource’s incremental cost of providing load reduction is expected to exceed \$1,000/MWh for an upcoming DA market day, then a detailed estimate of that resource’s incremental costs of providing load reduction must be submitted to the ISO and the ISO must be contacted to schedule a reference level consultation by no later than 9:00 a.m. on the day before the relevant DA market is run.
- **23.7.4.4—Demand Side Resources**
 - If the Market Party does not have a cost-based Incremental Energy and/or Minimum Generation reference level in place for its Demand Side Resource, or if the Market Party does not timely submit the information required in Section 23.7.4.3, then the bid exceeding \$1,000/MWh shall be restricted to \$1,000/MWh.

MST 23.7, Attachment H – Bid Restrictions for Incremental Energy

Bids and Minimum Generation Bids for NYCA Resources

- 23.7.5
 - The Market Party shall respond promptly to the ISO's request for additional information; failure to promptly respond may prevent the ISO from verifying a cost and including it in a Generator's or a Demand Response Resource's cost based Incremental Energy or Minimum Generation reference level
- 23.7.6
 - This Section details the consequences for submission of inaccurate cost information to the ISO
 - A Market Party that submits inaccurate cost information to the ISO that causes a market clearing price or a guarantee payment impact shall be subject to financial penalties in accordance with Section 23.4.3
 - Submission of inaccurate information that is not related to fuel costs that causes a market clearing price or a guarantee payment impact shall be considered economic or physical withholding and penalized in accordance with Sections 23.4.3.3.1, 23.4.3.3.1.1 and 23.4.3.3.1.2

MST 23.7, Attachment H – Bid Restrictions for Incremental Energy

Bids and Minimum Generation Bids for NYCA Resources

- **23.3.1.4.6.4—Existing Tariff Rules Addressing Fuel Cost Submission**
 - Market Parties shall notify the ISO of changes in fuel type or fuel price by
 - (i) submitting revised fuel type or fuel price information to the ISO’s Market Information System along with the Generator’s Bid(s), or
 - (ii) by directly contacting the ISO to request a reference level update consistent with ISO procedures, or
 - (iii) by utilizing both of the available notification methods
 - Revised fuel type or fuel price information that exceeds, or is rejected based upon, the thresholds that the ISO uses to automatically screen fuel type or fuel price information shall be submitted by directly contacting the ISO to request a reference level update
- **23.3.1.4.6.4.1—New Exception**
 - Changes in fuel price or fuel type that are offered to support Incremental Energy or Minimum Generation Bids that exceed \$1,000/MWh must be submitted in accordance with Section 23.7.3 (for a Generator) or Section 23.7.4 (for a Demand Side Resource) of the Mitigation Measures

MST 23.7, Attachment H – Bid Restrictions for Incremental Energy

Bids and Minimum Generation Bids for NYCA Resources

- **23.3.1.4.6.8—Existing Tariff Rule Addressing Timing of Fuel Cost Updates**
 - Sets forth rules for “timely” notice or submission of fuel price/type changes affecting the DA and RT markets
- **23.3.1.4.6.8.1 –New Exception**
 - Changes in fuel price or fuel type that are offered to support Incremental Energy or Minimum Generation Bids that exceed \$1,000/MWh must be submitted in accordance with the submission deadlines specified in Section 23.7.3 (for a Generator) or Section 23.7.4 (for a Demand Side Resource) of the Mitigation Measures
- **23.4.3.1 & 23.4.3.2—Proposed Revisions to Penalty Rules**
 - Details the cases under which the ISO will impose financial penalties, as well as information on the amounts of those penalties
 - Proposed revisions will permit NYISO to impose penalties when inaccurate cost information is submitted to the NYISO that is not fuel cost information, if the inaccurate information causes a market price or guarantee payment impact

Next Steps

- Please submit written comments on the draft tariff revisions to Ethan Avallone (eavallone@nyiso.com) by Sunday April 30th
- May 8, 2017
 - The NYISO will submit its compliance filing and relevant tariff revisions to FERC by this date
- Q4 2018
 - Targeted implementation of revised tariff language

The Mission of the New York Independent System Operator is to:

- Serve the public interest and
- Provide benefit to stakeholders by
 - Maintaining and enhancing regional reliability
 - Operating open, fair and competitive wholesale electricity markets
 - Planning the power system for the future
 - Providing factual information to policy makers, stakeholders and investors in the power system



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