

# Reserving Capacity for TCC Balance-of-Period Auctions

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**ICAPWG/MIWG/PRLWG:**

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# Agenda

- **Background**
- **Market Design Overview**
- **Draft Tariff Revisions**
- **Next Steps**

# Background

- **The tariff currently requires that all transmission capacity not associated with Grandfathered Rights or outstanding TCCs and not reserved through conversion of Existing Transmission Capacity for Native Load (ETCNL) to ETCNL TCCs or Residual Capacity Reservation Rights (RCRR) to RCRR TCCs be made available for sale in the Centralized TCC Auctions**
  - This may significantly limit the opportunity for Market Participants (MPs) to acquire shorter-term TCCs in Balance-of-Period (BoP) Auctions
  - Other ISO/RTOs reserve some portion of transmission capacity for sale in their monthly Financial Transmission Right auctions
- **This project was created to develop a market design that accommodates the ability to reserve a portion of otherwise available transmission capacity for release in the BoP Auctions**

# Background (continued)

- **The NYISO previously discussed the proposed market design with stakeholders on June 30, 2020 and September 1, 2020**
  - An overview of the proposed market design is provided on the following slides
- **The NYISO has developed draft revisions to the Open Access Transmission Tariff (OATT) to address the proposed market design**
  - Revisions are proposed in the following OATT Sections: 1 (Definitions), Attachment H (Section 14), Attachment M (Section 19), and Attachment N (Section 20)
- **Draft tariff revisions were developed to assist stakeholders in reviewing the proposed market design**
- **The NYISO plans to present the proposed market design at the Business Issues Committee (BIC) in 2020**
  - The NYISO will not be seeking stakeholder approval of tariff revisions to implement the proposed market design
  - The presentation of the market design at BIC is intended to facilitate the NYISO's ability to proceed with the development of functional requirements for the market design in 2021

# Market Design Overview

- The NYISO proposes to establish authority in the tariff to reserve a portion of transmission capacity from a Centralized TCC Auction for release into the BoP Auctions
- The NYISO proposes to limit the amount of transmission capacity that can be reserved from a Centralized TCC Auction to no more than 10% of the of the transmission capacity not otherwise required to support already-outstanding Grandfathered Rights, Grandfathered TCCs, Fixed Price TCCs, Incremental TCCs, ETCNL TCCs, and RCRR TCCs
- The NYISO proposes to make the transmission capacity associated with ETCNL and Original Residual TCCs available to support the purchase of TCCs in the same proportion(s) as the transmission capacity that is reserved for release in BoP Auctions. This impacts several other TCC market administration processes/procedures, including:
  - Allocation of revenue from the release of ETCNL and sale of Original Residual TCCs
  - Calculation and allocation of Net Auction Revenue
  - Calculation and allocation of Day-Ahead Market Net Congestion Rent

# Market Design Overview (continued)

- **The NYISO proposes to poll MPs regarding their preferred amount of transmission capacity to be reserved for the BoP Auctions as part of the normal TCC auction survey process**
  - Consistent with decisions related to the amount of transmission capacity supporting TCCs of various durations and percentage of transmission capacity made available in each auction round of a Centralized TCC Auction, the NYISO proposes to retain authority to determine the amount of transmission capacity to be reserved for the BoP Auctions as informed by consideration of the survey responses
- **The NYISO proposes to retain authority to determine the amount of reserved transmission capacity released in each month of each BoP Auction (“transmission capacity distribution”)**
  - Every BoP Auction includes an opportunity to purchase TCCs in each month remaining in the Capability Period
  - If all of the transmission capacity reserved for the BoP Auctions was made available for purchase in all months of the first BoP Auction of a Capability Period, then no transmission capacity would be reserved for any of the remaining BoP Auctions of that Capability Period

# Draft Tariff Revisions Overview

## ■ OATT Section 1 (Definitions)

- Revisions to Section 1.18 to add a new defined term “Reconfiguration Auction Capacity Reservation”
  - Facilitates reserving of transmission capacity that would otherwise be release in Centralized TCC Auctions for release into the BoP Auctions for the Capability Period associated with the six-month rounds of a Centralized TCC Auction
  - Limits the maximum allowable quantity of transmission capacity that can be reserved to no more than 10% of the of the transmission capacity not otherwise required to support already-outstanding Grandfathered Rights, Grandfathered TCCs, Fixed Price TCCs, Incremental TCCs, ETCNL TCCs, and RCRR TCCs

## ■ OATT Section 14 (Attachment H)

- Revisions to the wholesale Transmission Service Charge (TSC) formula (Section 14.1.2.1.1) and NYPA Transmission Adjustment Charge (NTAC) formula (Section 14.2.2.2.1) to account for the potential for revenue from the sale of ETCNL and/or Original Residual TCCs that would arise out of reserving transmission capacity for release into the BoP Auctions

# Draft Tariff Revisions Overview (continued)

## ■ OATT Section 19 (Attachment M)

- Revisions to Section 19.3 to clarify that the requirement for Transmission Owners (TOs) to sell Original Residual TCCs not previously sold in a Direct Sale will also apply to Reconfiguration Auctions to the extent transmission capacity is reserved for release into the BoP Auctions
- Revisions to Section 19.4 to clarify that the requirement for TOs to release ETCNL not previously converted to ETCNL TCCs will also apply to Reconfiguration Auctions to the extent transmission capacity is reserved for release into the BoP Auctions
- Revisions to Section 19.8:
  - Section 19.8.2
    - Clarify that ETCNL and Grandfathered TCCs subject to reduction that are deemed infeasible in any round of a Sub-Auction of a Centralized TCC Auction may be deemed reduced and not eligible for retesting in a subsequent rounds of that same Centralized TCC Auction
    - Add a new provision establishing that ETCNL and Grandfathered TCCs subject to reduction that are deemed infeasible in any Centralized TCC Auction may be deemed infeasible and reduced for a given month covered by a Reconfiguration Auction in which previously reserved transmission capacity is released for sale
    - Ministerial non-substantive/grammatical revisions



# Draft Tariff Revisions Overview (continued)

- Revisions to Section 19.8 (continued):
  - Section 19.8.3: clarify that the requirement for TOs to: (1) release ETCNL not previously converted to ETCNL TCCs; and (2) sell Original Residual TCCs not previously sold in a Direct Sale, also applies to Reconfiguration Auctions to the extent transmission capacity is reserved for release into the BoP Auctions
  - Section 19.8.4
    - Allow the NYISO to reserve transmission capacity from a given Centralized TCC Auction and establish the percentage of transmission capacity to be reserved for release into the BoP Auctions
    - Require the NYISO to solicit and consider feedback from MPs on transmission capacity reservations as part of the normal TCC auction polling process
    - Allow the NYISO to determine the manner in which previously reserved transmission capacity will be released into the BoP Auctions
  - Section 19.8.5
    - Clarify that the transmission capacity made available for sale in Reconfiguration Auctions may include transmission capacity previously reserved from the Centralized TCC Auction
    - Clarify that the scaling factor to be used for Reconfigurations Auctions must account for the manner in which previously reserved capacity is released for sale

# Draft Tariff Revisions Overview (continued)

## ■ OATT Section 20 (Attachment N)

- Revisions to Section 20.1 to clarify that OATT Section 20.3 addresses auction settlements including payments to TOs for ETCNL and Original Residual TCCs sold in all TCC auctions, which would include Reconfiguration Auctions to the extent transmission capacity is reserved from a Centralized TCC Auction
- Revisions to Section 20.2 to include ETCNL and Original Residual TCC sales revenue from Reconfiguration Auctions that would arise out of reserving transmission capacity for release into the BoP Auctions in the calculation of the monthly allocation factors of Net Congestion Rents to the TOs (Formula N-15)
- Revisions to Section 20.3:
  - Section 20.3.1: account for ETCNL and Original Residual TCC sales revenue from Reconfiguration Auctions that would arise out of reserving transmission capacity for release into the BoP Auctions in the calculation of Net Auction Revenues for a Reconfiguration Auction (Formula N-16)

# Draft Tariff Revisions Overview (continued)

- Revisions to Section 20.3 (continued):
  - Sections 20.3.3 and 20.3.5
    - Address the payment calculation for ETCNL and Original Residual TCCs sold in Reconfiguration Auctions that would arise out of reserving transmission capacity for release into the Balance-of-Period Auctions
    - Include a requirement for the NYISO to provide the TOs information regarding the revenues from the sale of ETCNL and Original Residual TCCs for each month covered by a BoP Auction in which previously reserved capacity is released for sale
  - Section 20.3.6.2.1.1: remove an outdated reference to Stage 1 rounds (ministerial update)
  - Section 20.3.7
    - Formula N-28: revise the calculation of Facility Flow-Based Methodology coefficients to exclude the Energy flow on transmission facilities in the initial condition of a TCC auction (the  $FLOW_{i,IC}$  component) from unsold ETCNL and Original Residual TCCs in months of a Reconfiguration Auction in which ETCNL and Original Residual TCCs are not offered for sale
    - Formula N-29: account for ETCNL and Original Residual TCC sales revenue from Reconfiguration Auctions that would arise out of reserving transmission capacity for release into the Balance-of-Period Auctions in the calculation of negative Net Auction Revenue coefficients
    - Formula N-29: ministerial revisions in the  $NAR_{q,n}$  component description to use consistent terminology referencing a particular month covered by a Reconfiguration Auction

# Next Steps

- **The NYISO is seeking any additional stakeholder feedback on today's presentation by October 30, 2020**
- **November 2020 BIC: seek stakeholder feedback on proposed market design to facilitate development of functional requirements in 2021**
  - The ultimate timeline for implementation (including seeking further stakeholder approval on the proposal) will be determined as part of the annual project prioritization process

# Questions/Feedback?

- Email additional feedback to: [deckels@nyiso.com](mailto:deckels@nyiso.com)

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