

Uneconomic Overproduction

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Agenda

- **Current Uneconomic Production Rules**
- **Proposed Enhancements**
- **Next Steps**

Current Market Rules

Uneconomic Production

- **“Uneconomic production from an Electric Facility, that is, increasing the output of an Electric Facility to levels that would otherwise be uneconomic in order to cause, and obtain benefits from, a transmission constraint”**

- MST Attachment H: 23.2.4.1.3

MST Attachment H

- **Section 23.2.4.1.3**
 - Defines Uneconomic Production and Uninstructed Deviation
- **Section 23.3.1.3.1.1**
 - Defines thresholds for conduct
- **Section 23.3.2.1**
 - Defines thresholds for impact
- **Section 23.4.3.3.2**
 - Defines penalty for uninstructed deviation

Potential Enhancements

- **SOM Recommendation 2017-3**
- **Ensure mitigation measures appropriately address all uneconomic production situations**
- **Current limitations to the rules:**
 - Requires intent – “benefit from”
 - Impact is limited to an increase of 200% or \$100
 - Additional detail and clarity could enhance the current mitigation measures

Proposed Enhancements

Enhancement to Definition

- **Remove intent from the definition of uneconomic production (*i.e.*, “in order to cause, and obtain benefits from”)**
 - More consistent with economic withholding and physical withholding
- **Revision would describe uneconomic production as increasing the output of an Electric Facility to levels that would otherwise be uneconomic**

Current Conduct Test

- **Current conduct is defined as having an energy schedule at an LBMP that is less than 20% of the applicable reference level**
- **Current test can result in small thresholds for low references or counterintuitive results when references are negative**
- **Proposing to modify the language to address these challenges**

Conduct Proposal

- **Conduct based on having an energy schedule at an LBMP that is lower than the applicable reference by the maximum of \$25 or 80% of the reference (*i.e.*, $LBMP < Reference - \max(\$25, |80\% \times Reference|)$)**
- **This would facilitate intuitive thresholds when references are low or negative**
- **Uneconomic production will not be evaluated for resources running during intervals with an LBMP greater than \$25**
 - Any offer below \$25 is currently not evaluated for economic withholding therefore it is proposed that running at a LBMP greater than \$25 would not be considered uneconomic production

Current Impact Test

- Impact is currently only defined as an increase in the LBMP by the lower of \$100 or 200% or an increase in guarantee payments by 200%
- Uneconomic overproduction does not always result in an increase in price, but rather can result in a severe decrease in price
 - For example during an over generation event
- NYISO is proposing to modify the impact test to account for the following situations:
 - Both an increase or decrease in Energy prices
 - Increase in either BPCG or DAMAP

LBMP Impact Test Proposal

- Impact would be defined as causing prices to change (*i.e.*, increase or decrease) by the lower of \$100 or 200%, but not to be less than \$25
 - A price change of $\text{MIN}(\$100, \text{MAX}(\$25, 200\%))$
- This proposal ensures the impact test does not generate very low thresholds when corresponding LBMPs are low

Guarantee Payment Impact Test

- Proposing to define impact as causing an increase in either Bid Production cost guarantee payments (BPCG) or Day-ahead Marginal Assurance Payments (DAMAP) by 200% or 50% in a constrained area
- This test would apply to both the conduct failing generator and also any affiliated generator(s)

Conduct and Impact Examples

Reference	Current Conduct Test LBMP <i>[20%×Ref]</i>	Proposed Conduct Test LBMP <i>[Ref-max(\$25, 80%×Ref)]</i>	Current Impact Test LBMP Threshold <i>Min(\$100, 200%×Ref)</i>	Proposed Impact Test LBMP Threshold <i>MIN(\$100, MAX(\$25, 200%))</i>
\$30	\$6	\$5	>\$60	<-\$60 or >\$60
\$25	\$5	\$0	>\$50	<-\$50 or >\$50
\$5	\$1	-\$20	>\$15	<-\$25 or >\$25
\$0	\$0	-\$25	>\$0	<-\$25 or >\$25
-\$5	-\$1	-\$30	>\$10	<-\$25 or >\$25

Enhancements to Mitigation Measures

- **Provide language that clarifies the applicable mitigation measure for uneconomic production that fails conduct and has impact**
 - Applying financial sanctions would be consistent with the mitigation measures for uninstructed deviation from base points
- **Provide for consultation between NYISO and MP prior to applying mitigation**

Proposed Mitigation Measures

- **Based on the impact, the financial sanction will be determined by:**
 - 1.5x the increase in Guarantee Payment(s) (*i.e.*, BPCG or DAMAP) to the conduct-failing Generator and all affiliated Generators
 - 1.5x the absolute value of the congestion component of the LBMP, times the quantity of MW produced by the conduct-failing Generator

Next Steps

Next Steps

- **Return to MIWG with proposed tariff revisions**
- **Early 2021**
 - Seek stakeholder approval of proposal at BIC and MC

Questions?

Our mission, in collaboration with our stakeholders, is to serve the public interest and provide benefit to consumers 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 policymakers, stakeholders and investors in the power system

