

# Buyer Side Mitigation (BSM) Process Improvements

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# Agenda

- **Background**
- **Purpose**
- **Forecast Assumptions Discussion**
- **Next Steps**
  - Proposed Timeline

# Background

# Background

- **The current BSM processes were developed over the last decade, focused on how best to administer the process within the study.**
- **Until recently, the BSM process was usually performed on around 5 resources over the course of a Class Year Study that could take up to two years.**
- **This is no longer representative of the current environment.**
  - The number of resources evaluated for BSM in a given Class Year (CY) is expected to increase 5-10x historic levels.
    - CY2019 had over 50 resources to be evaluated in a MCZ at the start of the study, only about 30 resources were evaluated for a complete BSM determination.
    - CY2017 had about 7 resources evaluated for BSM.
  - In addition, the CY process is shorter in length and expected to only take around one year.
  - Lastly, several other BSM evaluations may be required outside of the CY process throughout the year – Additional SDU Studies and Expedited Deliverability Studies (EDS). These could result in at least four to six BSM determination for 2021.
- **The current processes were not designed to be able to be administered effectively under this expected work load; two years between studies vs. two months.**

# Purpose

# Buyer Side Mitigation (BSM)

## Process Improvements

- **The objective of this initiative is to identify opportunities to improve the current BSM process in an effort to:**
  - Enable greater transparency and understanding for stakeholders and Developers
  - Decrease the administrative burden associated with the current BSM processes
  - Reduce risk of delays to the Class Year timelines due to BSM
  - Enable, where appropriate, consistency with other NYISO processes
  - Reduce tariff ambiguity
- **This initiative will not discuss new BSM designs or exemptions relating to BSM**
  - NYISO intends to continue to pursue changes as part of the Comprehensive Mitigation Review (CMR) effort

# Forecast Assumptions Discussion

# Forecast Assumptions

- **One of the main administrative risks to the BSM process (in both complexity and uncertainty) is in revenue forecasting process**
- **This area also lacks transparency to the stakeholders**
  - Leads to uncertainty around which assumptions will be used in each study
- **Can lead to an endless cycle of refreshing assumptions**



# Forecast Assumptions (continued)

- **Lockdown date: There is currently no assumption lockdown date for BSM**
  - For example – Gold Book load forecast and Demand Curve Reset values are updated in Q2
  - Adds risk to the schedule
- **Challenges: Some forecasting assumptions are computationally challenging and require significant time/resources to reasonably determine**
  - IRM/LCR runs can take weeks for each iteration – effectively making it impossible between rounds
    - This holds true for URM impact on the Renewable Exemption Limit as well
  - Energy and Ancillary Service revenues can take months to calculate depending on resource technologies and/or modeling requirements
  - A large number of projects in studies makes iterations effectively impossible
- **Options to consider:**
  - Lockdown assumptions as of a date (CY-ATBA lockdown, EDS – Start of study, etc)
  - Lockdown, with exceptions – adjust for “simple” updates – inflation rates, supply stack changes
    - Likely requires a second lockdown date
  - Lockdown, but with a “range”
    - Assumptions are static, unless an underlying change would be so significant it would have a significant impact on the assumptions
    - May be challenging to define ranges for all assumptions

# Consistency throughout Studies

- **Because values are not locked down today, Examined Facilities subject to an Additional SDU Study may be evaluated using different forecast assumptions than the Examined Facilities part of the CY that were not subject to an Additional SDU Study.**
  - An EDS Examined Facility may also have different forecast assumption than the on-going or most recently completed CY
  - These determination could be issued within the same month, depending on the timing of the studies.
  - This may add unnecessary risk and complexity to new entrants.
  - Uncertainty and delays in establishing appropriate assumptions could lead to significant delays of the study process.
- **Proposal: establish consistency in forecasting across related studies**
  - Minimize forecast assumption deviations between studies

# Simplifying Assumptions Discussion

# Simplifying Assumptions

## ■ Simplifying assumptions

- In lieu of or in conjunction with a lockdown mechanism, another option to consider is to use simplifying assumptions

## ■ IRM

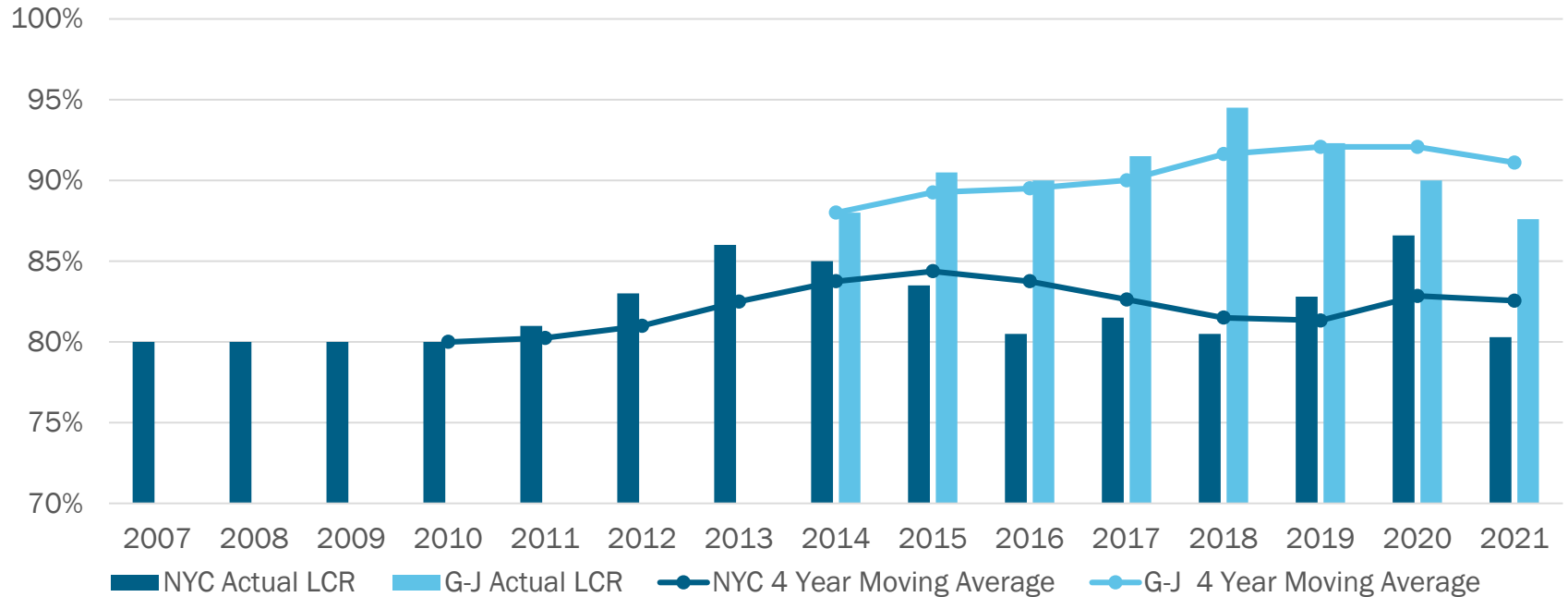
- Since 2007 the IRM has been between 115.5 and 120.7.
- An option is to use the current IRM and project it forward for study years
  - However, as the fleet moves to newer technologies the IRM is expected to grow
- Another option would be to use the URM (UCAP Reserve Margin) value (which has held relatively constant) and project that forward, but adjusted with updated derating factors.

# Forecast Assumptions (continued)

## ■ LCRs

- Recent, large changes in the New York grid have led to year-over-year LCR volatility. This makes forecasting difficult
- It may be appropriate to forecast based off historic LCRs
  - This would provide some certainty for developers in forecasting and adds transparency
- However, this method may not properly forecast significant changes in topology, such as AC Transmission
  - Also, this method may not properly account for URM impacts on LCRs
- The next slide graphically shows historic LCR values and how an average based on those historic values compares

# Historic LCRs and a Moving Average



# What is next...

# Future Presentation Topics

- Firm up forecasting assumption proposal
- Propose simplifying URM calculation for Renewable Exemption Limit
- Propose language to clarify calculations related to the Renewable Exemption Limit
  - URM component
  - Renewable Exemption Bank component
- Discuss language addressing the inclusion of units
  - Supply stack inclusion rules for Existing Units and Additional Units
- Propose consistent “inflation rate” terminology



# Requesting Feedback

- NYISO would like to hear from Stakeholders if there are other areas of the process or tariff that could be improved/clarified consistent with the objectives of this initiative
- NYISO is requesting feedback by *February 26th*

# Next Steps

# Next Steps

- **Receive and review feedback from Stakeholders**
- **Propose specific enhancements consistent with initiative objectives at upcoming ICAPWGs**

# Proposed Timeline

- Return to March ICAPWGs to discuss proposals
- March/April ICAPWG with proposed tariff changes
- April BIC/MC
- May BOD and File with FERC

# 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

