New York ISO
Independent System Operator

Establishing ICAP Market Requirements: 2021 Potential Enhancements

Joshua Boles

Senior Manager, Market Operations

ICAPWG

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Agenda

- Background
- Schedule

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Background

Background

- **ICAP market requirements are established for the NYISO's spot market auction construct each year**
  - These requirements provide for the NYISO and New York State Reliability Council (NYSRC) to satisfy the 1-day in-10 years loss of load expectation standard (i.e., no more than one load shedding event in ten years)
- **These requirements determine the minimum quantity of ICAP that loads must purchase**
- **The NYSRC is responsible for establishing the statewide Installed Reserve Margin (IRM) and the NYISO is responsible for establishing locational requirements (Locational Minimum Installed Capacity Requirements, LCRs) for the three localities (Zone J, Zone K, and Zones G-J)**
- **The NYSRC IRM Study and the NYISO LCR study have historically used many of the same starting assumptions**
  - Several exceptions
    - The IRM study uses the preliminary forecast of next year's peak demand while the LCR study uses the final peak load forecast
    - The NYISO LCR study may also include certain material system changes that become known after the finalization of the IRM study
- **Recently, the NYISO and its stakeholders adopted an economic optimization method for establishing LCRs**
  - This process resulted in the NYISO, per tariff, adding several assumptions to the LCR study process that are not present in the IRM study process
- **NYISO stakeholders approved the 2021-2022 Capability Year LCRs at the Operating Committee on January 14, 2021**
  - At this meeting, stakeholders requested the NYISO review certain assumptions that differ between the IRM and LCR study processes. The NYISO understood that the goal of this effort is to increase the transparency and predictability of the IRM and LCRs calculation processes.

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IRM and LCR study enhancements

- **Note: the NYSRC establishes the IRM and all changes to the IRM study process are made at the discretion of the NYSRC**
- **Stakeholders requested an evaluation of several possible enhancements to the two study processes:**
  - Incorporating Transmission Security Limits (TSLs) into the IRM study
    - NYISO tariff requires TSLs to be incorporated into the LCR study
  - Consider stakeholder proposals that are intended to more closely aligning the IRM study and LCR study inputs. Stakeholder proposals include:
    - Using the IRM study peak load forecast in the LCR study process
    - Only adopt system changes into the LCR study if they are also adopted into the IRM study
  - Providing additional analysis of the factors driving LCR changes when the NYISO provides preliminary ("indicative") LCRs to stakeholders

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Schedule

Schedule

1. **Incorporating TSLs into the IRM study**
   - The NYSRC has prioritized evaluating whether it is appropriate to incorporate TSLs into the IRM study and if so, how to incorporate TSLs
   - The NYSRC will discuss this evaluation in May 2021 at the NYSRC Installed Capacity Subcommittee
   - The NYISO will also provide additional materials to the NYSRC and NYISO stakeholders, in March, to describe the basis of, and need for, TSLs in the LCR study
2. **More closely aligning the IRM study and LCR study inputs**
   - The NYISO will bring a companion presentation to this ICAPWG discussing these proposals
   - The NYISO anticipates returning in April to further discuss proposals
3. **Providing additional analysis of the factors driving LCR changes when the NYISO provides preliminary ("indicative") LCRs to stakeholders**
   - The NYISO will bring a companion presentation to this ICAPWG discussing this proposal
   - The NYISO anticipates returning in April with a detailed proposal, including updates to the NYISO procedure that governs the LCR study process

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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

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