

Buyer Side Mitigation Reform Considerations

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Background

Grid in Transition – A Path Forward in 2021

- **The NYISO’s wholesale markets can serve as an effective platform for achieving New York State environmental objectives.**
 - Through active engagement with stakeholders and policymakers, the NYISO is developing design improvements to meet the future challenges expected to arise with high levels of intermittent renewable and distributed energy resources.
- **The plan includes a set of enhancements that work together coherently and efficiently to satisfy New York’s changing grid reliability needs.**
 - These opportunities are organized across three main points of focus (discussed on the next slide)
 - Some opportunities will require immediate attention while others might be something to consider as more information and experience becomes available.
 - The resource mix is evolving and the NYISO’s markets need to continue to accurately value resources for the attributes they provide in meeting system reliability. The combination of forward planning studies, the Installed Capacity Market, and the Energy Market will need to continue to support long standing attributes such as resource adequacy, transmission security, and resource flexibility and considering valuing new yet to be determined attributes.



Grid in Transition – A Multifaceted Approach

- **Aligning Market Incentives**
 - Carbon Pricing
 - **Comprehensive Mitigation Review**
- **Prepare for New Technologies**
 - DER Participation Model
 - Energy Storage Participation Model
 - Hybrid Co-Located Model
 - Hybrid Aggregation Model
- And more....

Aligning Competitive Markets and New York State Clean Energy Objectives



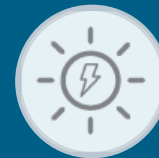
- **Review Energy & Ancillary Services Design for Incenting Flexibility**
 - More Granular Operating Reserves
 - Regulation Up & Down Services
 - Ramping Services
- **Evolve the Day Ahead and Real-Time Markets to improve managing Forecast Uncertainty**
- **Track certain market metrics to evaluate incentives for flexible resources**
- And more...

Valuing Resource & Grid Flexibility



- **Enhancements to Resource Adequacy Modeling**
- **Improving Installed Capacity Market Incentives**
- **Review Capacity Market Resource Ratings to Reflect Reliability Contribution**
 - Expanding Capacity Eligibility
 - Tailored Availability Metric

Improving Capacity Market Valuation



Buyer Side Mitigation Reform Considerations

Problem & Objective

- The current Buyer Side Mitigation (BSM) rules when applied to state subsidized resources are increasingly viewed by both state and federal regulators as extremely costly to consumers and ultimately counterproductive.
- The NYISO believes that any modification to BSM support just and reasonable ICAP market rates, continue to allow the ICAP market to attract and retain resources to maintain resource adequacy, and be supported by stakeholders and the FERC
 - Therefore, the role of accurately valuing capacity resources contribution to resource adequacy becomes extremely important when considering BSM reforms and the NYISO has adjusted the schedule for *Improving Capacity Accreditation* accordingly
- The premise of the new approach aims to:
 - Eliminate BSM risk for CLCPA resources
 - Simplify currently complex and administratively burdensome BSM process

Considerations

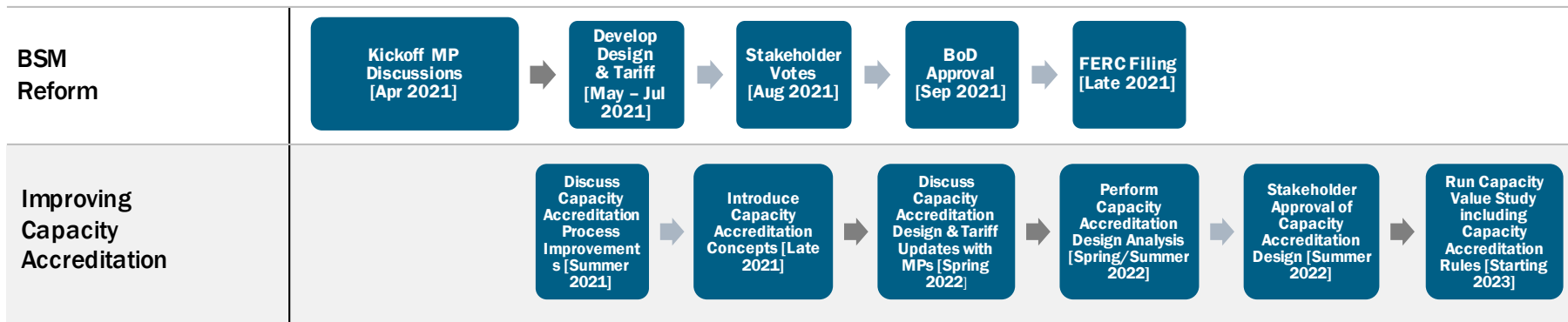
- The NYISO is considering several options and is looking for stakeholder feedback on the following questions
- Please provide feedback in writing to the NYISO
- Written feedback can be sent to Mike DeSocio at mdesocio@nyiso.com

Considerations

- For any potential BSM reform, what rationale or standard should be considered to support the just and reasonableness of such a proposal?
- Should BSM reforms be focused primarily on exempting CLCPA resources?
 - How would CLCPA resources be defined?
 - Should the exemption be explicit, or implicit/mechanical?
- Should BSM reforms be focused on allowing revenues for attributes valued by state policy and not procured by the NYISO-administered wholesale markets?
 - Would this be specific policies or all state policies?
- Should the NYISO consider an approach similar to the “Presumed Good Faith Standard” that was proposed by PJM on April 28, 2021?
 - Link to PJM proposal - <https://www.pjm.com/-/media/committees-groups/cifp-mopr/2021/20210428/20210428-item-04-pjms-initial-proposal-minimum-offer-price-rule.ashx>

Plan & High Level Timeline

- **Begin BSM discussions with stakeholders in early May on a proposed approach**
 - Although the NYISO is not ready to make a proposal, the NYISO is working diligently to explore all options that would meet stakeholders expectations and allow the ICAP market to continue to meet the just and reasonable standard
- **Discuss Capacity Market Accreditation improvements that would allow the ICAP market to operate effectively with large modifications to BSM**
- **The updated plan is below**



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

