

Buyer Side Mitigation Reform Proposal & Capacity Accreditation Considerations

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Background

Problem & Objective

- **The current Buyer Side Mitigation (BSM) rules when applied to state supported resources are increasingly viewed by both state and federal regulators as costly to consumers, resulting in inefficient outcomes that are ultimately counterproductive**
- **The NYISO believes that any modification of BSM rules must support just and reasonable ICAP market rates, continue to allow the ICAP market to attract and retain resources to maintain resource adequacy, be supported by stakeholders and the FERC, and be legally durable**
 - Therefore, the role of accurately valuing installed capacity resources' contribution to resource adequacy is extremely important when considering BSM reforms
 - 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

BSM Reform Proposal

BSM Reform Proposal

- **The NYISO proposes to use resource types currently identified in its tariff that align with the State's CLCPA mandates to determine whether a new ICAP Supplier would be subject to a BSM evaluation or otherwise exempt or excepted from BSM. These resource technology types are listed below:**
 - Solar and wind (land & offshore)
 - Energy Storage Resources
 - Demand Response (participating as an SCR or DER)
- **The NYISO is also considering whether External UDRs may be exempt or excepted from BSM**

Extending BSM Reform to New Resource Types and Technologies

- **Whether new resources types or technologies will be subject to BSM Rules will be evaluated by the NYISO and discussed with stakeholders, when it is needed or as requested by stakeholders**
 - For example, how BSM rules should apply to new technologies will be prioritized once projects using these technologies begin seeking interconnection studies or when new market design participation rules are prioritized as market design complete projects
 - BSM treatment for Tier 4 Transmission Facilities will be discussed when it becomes a prioritized project and the complete set of market rules for such facilities are developed

BSM Reform Proposal Rationale

- **The included resource technology types have a limited ability to impact ICAP prices**
 - Although the included resource technology types listed on slide 5 are very important to achieving the state's environmental goals, their contribution to resource adequacy will diminish as large quantities of these resources are integrated on to the grid
 - As these resource types enter service in increasing numbers, the capacity values of these resources should decrease
 - This was partly identified and addressed under the current capacity value market rules
- **Therefore, with robust capacity accreditation rules that properly value all resources' contribution to resource adequacy, the NYISO believes the Installed Capacity market will continue to result in competitive prices with the entry of the identified resource technologies called for in the CLCPA**
 - Under these circumstances, the market should continue to provide adequate market signals with competitive prices necessary to attract and/or retain the balance of fleet resources necessary to maintain resource adequacy
 - The NYISO believes that this reasoning needs to be confirmed with analysis in order to make sure that this BSM Reform proposal would continue to result in just and reasonable price outcomes
 - The NYISO is working with the Analysis Group to conduct this analysis

Additional BSM Considerations

- **Retain the Buyer Side Mitigation construct that includes:**
 - Part A and Part B Framework
 - The NYISO still believes the modifications to the Part A rules, which were originally rejected by FERC in 2020 and are being held in abeyance on appeal, will provide useful improvements regardless of any larger BSM Reforms proposal
 - Competitive Entry Exemption
 - Self Supply Exemption
- **Retain the Supply Side Mitigation construct**
- **The current mitigation construct, with certain modifications, continues to appropriately protect the market against the exercise of buyer-side market power**
 - Leaving intact the current structure, while making changes to the BSM rules to except or exempt certain public policy resource types that are identified by the tariff and needed to meet the CLCPA mandates, will allow the market to continue to produce just and reasonable ICAP prices needed to continue to meet the resource adequacy needs of the system while avoiding conflicts with New York State's CLCPA goals

Capacity Accreditation Considerations

Capacity Accreditation Considerations

- **The existing tariff calls for a recurring study every four years that reexamines:**
 - The hours of the Peak Load Window, used to measure performance for some performance-based derating factor calculations; and
 - The Duration Adjustment Factors used to account for the capacity value of resources with a daily run-time limitation
- **These rules were developed before the CLCPA**
 - The NYISO is concerned that the existing rules do not reevaluate the capacity contribution of resources often enough to keep pace with the quantities and timing of resource mix changes envisioned by the CLCPA
 - For example, on June 29, 2021 with approximately 1700MWs of behind the meter solar, the net peak load occurred across hour beginning 17 while the gross peak would have occurred across hour beginning 14
 - The peak solar output occurred across hour beginning 12
 - The CLCPA calls for at least 6000MWs of solar by 2025, which is when the next four year study for Capacity Values and Tailored Availability Metrics would be effective
- **In order to maintain resource adequacy as the resource mix quickly evolves, it is essential to align a resource's reliability contribution with its capacity value in a timely manner**
- **The BSM Reform analysis relies on properly valuing all resources' contribution to resource adequacy, and the NYISO believes that the existing framework should be improved**

Next Steps

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- **August 5, 2021 – Return to a dedicated Installed Capacity Working Group**
 - Respond to feedback received during today’s discussion
 - Review current capacity accreditation practices
- **August 9, 2021 – Dedicated Installed Capacity Working Group**
 - Discuss the supporting BSM analysis and assumptions
 - Discuss Capacity Accreditation Principles and Proposed Changes

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

