

# Buyer Side Mitigation Reform Proposal Update

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**ICAPWG**

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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, and kicks off those discussions today
- **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 Update

- **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 appreciates the feedback received on July 13, 2021 and is updating its proposal to include Run of River Hydro as exempted or excepted from BSM**

# External UDRs

- **The NYISO is continuing to explore rationales to exempt or except External UDRs from BSM**
  - The NYISO is still interested in further input from stakeholders regarding exempting or excepting External UDRs 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 considered and discussed with the Internal Controllable Lines when 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**
  - The included resource technology types listed on slide 5 should be able to contribute to the energy, ancillary services and capacity needs of New York consistent with their capability and are very important to achieving the state's environmental goals. However, 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

# Changes to Part A

- **The NYISO appreciates the feedback on reconsidering modifications to the Part A test that is generally consistent with what was filed and rejected by FERC**
  - The NYISO believes it is important to not delay the BSM reforms proposal and that it would be useful to address the Part A rules as part of the changes included in this BSM reforms proposal if agreement and time allows
  - The NYISO also believes it is unnecessary to include the changes that reordered policy resources first

# Next Steps

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- **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

