

# Updated Buyer Side Mitigation Reform Proposal

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**ICAPWG**

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# Background

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- **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 Installed Capacity (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

# Background

- **The NYISO believes that this broader BSM proposal will need to be supported by and filed at FERC with the following market rule changes and analysis to ensure that ICAP Market clearing prices remain just and reasonable:**
  - Capacity Accreditation
    - The NYISO is currently working with stakeholders to establish a framework proposal to reexamine the capacity accreditation of all resource types in the NYISO's ICAP Market
    - For details on the current proposal, please see the materials posted to the [August 31 ICAPWG](#)
  - ICAP/UCAP Reference Price Translation
    - The NYISO is proposing to adopt Potomac Economics' recommendation to translate the ICAP Reference Price to a UCAP Reference Price using the derating factor of the peaking unit underlying the relevant ICAP Demand Curve
    - For details on this part of the proposal, please see the materials posted to the [August 31 ICAPWG](#)
  - Address capacity market investment risk
    - The NYISO will provide more information on this item at a later working group
  - Analysis Group's supporting analysis examining the impact of a large influx of state-supported resources into the NYISO's ICAP Market

# Revised BSM Reform Proposal

# Policy Resource Exclusion

- **New resources that are required to satisfy the goals specified in the CLCPA will not be subject to review by the NYISO under the BSM rules or otherwise subject to an offer floor**
- **Resource types that will not be subject to review include, but are not limited to:**
  - Wind
  - Solar
  - Storage
  - Hydroelectric technologies (including tidal, ocean, and wave generation)
  - Geothermal
  - Fuel cells that do not use fossil fuels
  - Demand Response (participating as a SCR or DER)
- **The resources explicitly identified above will automatically be excluded from the BSM rules and will not be considered an Examined Facility as BSM reviews are performed for a Class Year, Additional Deliverability Study, or Expedited Deliverability Study**
  - For example, Co-located Storage Resources that are comprised of storage, wind or solar would be excluded from BSM based on the above rules

# Policy Resource Exclusion

- **The NYISO will include additional resource types that satisfy the CLCPA goals, beyond those previously specified, if any of the following applies:**
  - The technology type is specifically identified by the Act or as publicly identified by New York State as supporting the goals of the CLCPA;
  - The resource has a contract with NYSERDA (for example, under an applicable Tier) supporting the goals of the CLCPA; or
  - The resource is eligible to receive a contract authorized by New York State or its agents, such as NYSERDA, that is supporting the goals of the CLCPA.
- **A resource must provide self-certification that it is a CLCPA resource and satisfies the applicable elements stated above**
  - The resource must provide a self-certification to the NYISO by the ATBA lockdown date
- **The resources identified above will be excluded from the BSM rules and will not be considered an Examined Facility as BSM reviews are performed for a Class Year, Additional Deliverability Study, or Expedited Deliverability Study**
  - For example, UDRs that can demonstrate eligibility for Tier 4 RECs would be included under this provision

# Further Details

- **The Renewable Exemption, in its current form, would no longer be necessary and, therefore, be eliminated**
- **Other existing exemptions, such as Competitive Entry and Self-Supply, would remain available to qualifying resources**
- **The current process involving the Part A & Part B tests would still be performed for resources subject to BSM**



# Next Steps

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- **September stakeholder working groups will provide opportunity for discussion on:**
  - Feedback received during today's discussion
  - Review Examples of Delta Method by E3
  - Capacity market investment risk by Potomac Economics
  - Capacity Accreditation
  - Draft tariff
- **The NYISO is currently scheduled to present at the September 17<sup>th</sup> and 28<sup>th</sup> ICAPWGs**
  - Additional ICAPWGs or reuse of existing ICAPWGs may be necessary as the NYISO reworks the schedule
  - The NYISO will post the revised schedule as soon as possible with today's materials

# 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

