

Uneconomic Production and Uneconomic Withdrawal

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Agenda

- Previous Presentations
- Background
- Proposed Enhancements
- Next Steps

Previous Presentation

Date	Working Group	Links to Materials
12-19-19	ICAPWG/MIWG	https://www.nyiso.com/documents/20142/9869531/12-19-19_Stines_UneconomicProduction_Final.pdf/e6e60e7f-217b-9bae-e252-b19fad5624e7
11-16-20	ICAPWG/MIWG	https://www.nyiso.com/documents/20142/16896725/11-16-20_MIGW_Stines_UneconomicProduction_Final.pdf/8fc3abeb-6325-9ff8-a9bc-c1dc7a9d746b
03-02-21	ICAPWG/MIWG	https://www.nyiso.com/documents/20142/19599294/03-02-21_MIWG_UneconomicProduction_Final2.pdf/c3276295-c59a-5f0c-5d52-069907d1dfa3
03-29-21	ICAPWG/MIWG	https://www.nyiso.com/documents/20142/20285352/03-29-21_MIWG_UneconomicProduction_Final.pdf/a9126201-983e-872d-5f33-3c1093d2e080
08-26-27	ICAPWG/MIWG	https://www.nyiso.com/documents/20142/24120404/08-26-21_MIWG_UneconomicProduction_Final.pdf/eb7462b6-ff2e-212f-7b14-3c43f1ffc345

Background

Current Uneconomic Production

- **“Uneconomic production from an Electric Facility, that is, increasing the output of an Electric Facility to levels that would otherwise be uneconomic in order to cause, and obtain benefits from, a transmission constraint”**

- MST Attachment H: 23.2.4.1.3

Potential Enhancements

- **SOM Recommendation 2017-3**
- **Ensure mitigation measures appropriately address all uneconomic production situations**
- **Current limitations to the rules:**
 - Requires intent – “to cause, and obtain benefits from”
 - Challenges with conduct test when references are low or negative
 - Impact is limited to an increase of 200% or \$100

Proposed Enhancements

Proposed Enhancements

- **This proposal incorporates the feedback we received from stakeholders**
- **Proposed revisions appear in the following Services Tariff Sections:**
 - Definition of uneconomic production and uneconomic withdrawal
 - MST 23.2.4.1.3
 - Conduct for uneconomic production and uneconomic withdrawal
 - MST 23.3.1.3.1.1
 - MST 23.3.1.3.2.1
 - Impact for uneconomic production and uneconomic withdrawal
 - MST 23.3.2.1.1.1
 - MST 23.3.2.1.2.1
 - Mitigation Measure
 - MST 23.4.3.3.2

Definition: MST 23.2.4.1.3

- The proposed definition of uneconomic production and uneconomic withdrawal utilizes language from the definition of physical withholding
- Removes intent from the definition of uneconomic production (*i.e.*, “in order to cause, and obtain benefits from”)
 - More consistent with economic withholding and physical withholding

Conduct: MST 23.3.1.3

- **Conduct based on having an energy schedule at an LBMP that is lower than the applicable reference by the greater of \$25/MWh or 80% of the applicable reference**
- **Uneconomic production will not be evaluated for resources running during intervals when the LBMP is greater than \$25/MWh**
 - Any offer below \$25/MWh is currently not evaluated for economic withholding; therefore we propose that running at a LBMP greater than \$25/MWh not be considered uneconomic production
- **Following discussions with stakeholders, the NYISO is recommending using a cost-based reference when evaluating renewable generators for uneconomic production**

Impact Test: MST 23.3.2.1

- **Impact for uneconomic production or uneconomic withdrawal is:**
 - A change of 200 percent or \$100/MWh, whichever is lower, in the hourly Day-Ahead LBMP, real-time LBMP, Day-Ahead congestion component, or real-time congestion component
 - Change is defined as the absolute value of the difference between the prices or congestion components that resulted from the Market Party's uneconomic production or uneconomic withdrawal behavior and those that would have occurred if the Market Party had operated consistent with its reference levels and in a competitive manner
 - Requires a minimum change in price of \$25/MWh
 - An increase of 200%, or 50% for Generators in a Constrained area, in Bid Production Cost guarantee payments or Day-Ahead Margin Assurance Payments to a Market Party or an Affiliate
- **This proposal ensures the impact test does not generate very tight thresholds when LBMPs or congestion is low**

Mitigation Measure: MST 23.4.3.3.2

- **Clarify the applicable mitigation measure for uneconomic production or withdrawal is a financial sanction determined by:**
 - 1.5x the increase in Guarantee Payment(s) (*i.e.*, BPCG or DAMAP) to the conduct-failing Generator and all affiliated Generators
 - 1.5x the absolute value of the congestion component of the LBMP, times the quantity of MW produced by the conduct-failing Generator
- **Provide opportunity for consultation between NYISO and MP prior to applying mitigation**
 - Through the consultation process, the NYISO will consider demonstrations from the Market Party that the questioned conduct was consistent with competitive behavior

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

