

# Reliability Gaps and Market Performance Metrics Part IV -Update

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We have decided to include everything from the prior presentation and update it with the new information so that all the information is contained within one presentation.

New information is in red pages 24-26, 35, 43-47, 59



# Topics

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- Potential Reliability Gaps with New York's Evolving Resource Mix <sup>1</sup>
- Review of BPCG Metrics <sup>1</sup>
- Review of Day-Ahead Market Commitments Analysis <sup>1</sup>
- Discussion of Real-Time Commitments <sup>1</sup>
- Next Steps

1. Review of topic previously covered in the March 19, 2021, April 20, 2021, and September 20, 2021 presentations.

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# Potential Reliability Gaps with New York's Evolving Resource Mix

# Reliability Gap Assessment

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The Reliability and Market Considerations for a Grid in Transition (Grid in Transition) white paper <sup>1</sup> includes a Reliability Gap Assessment. The full assessment is in Appendix B and a high-level discussion of the assessment starts on page 20.

- Today's presentation is the third focused on proposed market metrics relating to bid production cost guarantees (BPCG).
  - The new content in today's presentation is focused on the real-time market BPCG metrics.
  - Today's presentation also reviews the day-ahead market BPCG metrics discussed on March 19 and April 20.
  - The goal is again to get feedback on the proposed approach from stakeholders.
  - The proposed metrics are being considered for inclusion with existing metrics and would be compiled on an ongoing basis and reviewed periodically with stakeholders (respecting the constraints of confidentiality).

1. <https://www.nyiso.com/documents/20142/9869531/Reliability%20and%20Market%20Considerations%20for%20a%20Grid%20in%20Transition%20-%2020191220%20Final.pdf/7846db9c-9113-a85c-8abf-1a0ffe971967>

# Reliability Gap Assessment

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The ten areas of potential reliability gaps identified in that report were:

1. Maintain Ability to Balance Load and Generation
2. Maintain 10-Minute Operating Reserves
3. Maintain Total 30-Minute Operating Reserves
4. Maintain Ability to Meet Daily Energy Requirements
5. Maintain Reliable Transmission Operations
6. Maintain Black Start Capability
7. Maintain Voltage Support Capability
8. Maintain Frequency Response Capability
9. Maintain Resource Adequacy
10. Ability to Manage Supply Resource Outage Schedules

The metrics discussed today are most focused on reliability gap 1 but also relate to gaps 2, 3, 4, 5 and 9.

# Reliability Gap Assessment

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The Grid in Transition white paper touched upon a number of other reliability performance and market performance metrics that are not discussed in this presentation. Not all of these metrics may need to be developed and monitored in the same time frame. These other market performance metrics include:

- Level of self-scheduling in RTD by potentially dispatchable resources;
- Net load forecast latency;
- Frequency/level/duration of price spikes due to ramp constraints;
- Frequency resources are committed in real-time for voltage support;
- Average level of spinning reserve prices (already reported in the NYISO CEO/COO Report<sup>1</sup>);
- Frequency that energy limited resources are depleted prior to price spikes;
- RTC net load forecast error (modified version of net load forecast metric in Monthly Report<sup>2</sup>);
- RTD net load forecast error (modified version of net load forecast metric in Monthly Report<sup>2</sup>);
- Efficiency of RTD dispatch of storage resources;
- CTS Performance

1. February's NYISO CEO/COO Report: <https://www.nyiso.com/documents/20142/19386712/03%20NYISO%20CEO%20COO%20Report.pdf/26cfa638-c9c6-65b8-f238-70c95dd6e32e>

2. February's Operations Performance Metrics Monthly Report: [https://www.nyiso.com/documents/20142/19386712/03%20Operations\\_Report.pdf/c69eff1-7e48-af8e-2c4d-32ec3c8f147b](https://www.nyiso.com/documents/20142/19386712/03%20Operations_Report.pdf/c69eff1-7e48-af8e-2c4d-32ec3c8f147b)

# Reliability Gap Assessment

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The NYISO already tracks several Reliability Performance and Market Performance Metrics in the Operations Performance Metrics Monthly Report<sup>1</sup> presented at the Management Committee.

The NYISO has also reviewed the operations reliability considerations in the Grid in Transition white paper. These were reviewed at the June 10 2020 ICAP/MIWG.<sup>2</sup>

Today's presentation reviews additional Market Performance Metrics the NYISO is considering. Stakeholder feedback on the proposed Market Performance Metrics is encouraged.

<sup>1</sup> February's NYISO CEO/COO Report: <https://www.nyiso.com/documents/20142/19386712/03%20NYISO%20CEO%20COO%20Report.pdf/26cfa638-c9c6-65b8-f238-70c95dd6e32e>

<sup>2</sup> <https://www.nyiso.com/documents/20142/12967767/20200610%20Reliability%20and%20Market%20Considerations%20for%20a%20Grid%20in%20Transition.pdf/910012cd-a809-a74e-5da7-f740a6b8128d>

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## Review of BPCG Metrics



# BPCG Metrics

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Why is the level of BPCG payments important?

- A high level of BPCG payments to flexible resources in NYISO markets can have a number of adverse impacts.
  - Some impacts are specifically related to retaining and efficiently operating flexible resources whose output (and resource characteristics) will be needed to balance higher levels of intermittent resource output.
  - Some impacts are related more generally to the NYISO's ability to meet New York net load at least cost.

## BPCG Metrics

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As the proportion of starts that are uneconomic at market prices increases and resources are more often made whole with uplift payments:

1. There would be a reduced incentive for the affected resource owner to make investments to maintain or improve resource capabilities such as ramp rate, start time and fuel cost efficiency. This is because lower costs and higher revenues would reduce BPCG payments on the unprofitable starts and only increase margins on the profitable starts.
2. Energy market margins would likely make a smaller contribution to covering resource going forward costs, potentially leading to the inefficient exit of flexible resources.
3. High levels of BPCG do not send a price signal for the entry of new resources, or even new types of resources, able to provide flexibility at lower cost.

## BPCG Metrics

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4. There would be an increased incentive for resources to submit inflated commitment cost offers, increasing profits through BPCG payments, even absent market power.
5. Even for the many real-time commitments that would be economic if settled at RTC prices, high levels of net load uncertainty in the time frame of the commitment decision combined with a BPCG design will inflate generator returns and consumer costs.
6. A final concern is straight forward economic efficiency. A pattern of a rising proportion of RTC commitments that are uneconomic at RTD settlement prices could be an indicator of biases or inappropriate simplifications in RTC commitment logic that are inflating consumer costs, and emissions, by committing too many thermal units under some, or perhaps many, conditions.

## BPCG Metrics

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While this initial analysis is focused on gas fired generation, we envision that it would be extended to other types of flexible resources as their importance grows.

- Hence, once there are a material number of batteries in operation, a similar analysis could track the impact of forecast errors in the NYISO RTD dispatch on battery operating profits.
- Moreover, these metrics would have relevance to the economics of other types of flexible resources, such as dispatchable hydro resources or other types of storage resource, as high levels of BPCG relative to gas unit margins would be an indicator of a poor price signal for the retention of dispatchable hydro or storage resources.

## BPCG Metrics

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We propose that the two metrics for BPCG trends be:

[1] Proportion of economic starts receiving BPCG.

[starts receiving BPCG/Total economic starts]

[2] Relationship between BPCG and Margins

[Total BPCG payments / (Total BPCG Payments + Total Net Margins)]

We also propose to track the impact of Forecast Pass commitments of long start generation as measured by:

Total Megawatt Hours scheduled in final scheduling pass on long start units committed in forecast load pass.

## BPCG Metrics

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This table summarizes how the two metrics relate to the six concerns relating to BPCG.

	Metric 1	Metric 2
1. Investment Incentives	Good	OK
2. Going Forward Cost Contributions	n/a	Good
3. Price Signal Quality	n/a	Good
4. Incentive to Inflate Offers	Good	n/a
5. Excess Costs	Good	Good
6. Economic Efficiency	Good	Good

Metric 1 is better for issues 1 and 4, while Metric 2 is better for issues 2 and 3.

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## Review of Day-Ahead Market Commitments Analysis

# Day-Ahead Market Metrics

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We propose that the day-ahead market metrics will be based on intra-day commitments (units that cycle on and off within the time frame of the day-ahead market) <sup>1</sup> and only include resources committed based on the day-ahead market economic evaluation.

- The metric would exclude resources that received LRR, DARU or forecast load physical commitments (not just a schedule for a quick start unit) or were self-committed in any hour.
- The purpose of this metric is to provide an indicator of whether the current market design, penalty prices, and operating practices provide reasonably efficient incentives for investment in and continued operation of flexible resources that are needed to balance variations in net load.

1. We have excluded a very small number of resources that notionally cycled on and off within the day but were long-start resources that submitted zero start up times. We believe these resources were using their offers to self-schedule their commitment and the revenue calculation may be misleading. There can be some anomalies with resources that cycle on or off shortly before or after the day-ahead market day. This involves a very small number of units and we do not think the metric needs to be further complicated to better cover these instances.



# BPCG Metric #1

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BPCG Metric 1: Proportion of economic starts receiving BPCG.

The data shows that over all four quarters of 2020, slightly more than 90% of resources committed based on the day-ahead market's economic evaluation, and cycling on and off with the day-ahead market timeframe, did not receive BPCG.

- The percentage was around 84% January through May and around 92% June through December.

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
Total	276	256	185	85	210	616	1477	934	431	240	463	468	5710
BPCG	39	44	28	21	31	46	133	78	30	21	36	21	532
No BPCG	237	212	157	64	179	570	1344	856	401	219	427	447	5113
% BPCG	14.1	17.2	15.1	24.7	14.8	7.5	9.0	8.4	7.0	8.8	7.8	4.5	9.4

## BPCG Metric #1

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There was discussion on March 19 of the small number of economic starts in first quarter 2020.

- The number of economic starts was even lower in April and May, but then rose to much higher levels for the rest of the year.
- Most of the variation in the number of units cycling on and off within the day arises from differences in the number of quick start units scheduled in the day-ahead market.

## **BPCG Metric #1**

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There was also discussion on March 19 of the number of starts that ran over into a second day.

In 1Q 2020, 194 units had commitments that extended into the next operating day and only 7 of these received BPCG.

## BPCG Metric #2:

BPCG Metric #2: Total BPCG payments /(BPCG Payments + Net Margin)

- BPCG Metric #2 was generally low over 2020, averaging 1.8% for the year.
- BPCG Metric #2 was high in April and above 2% in four other months.
- BPCG Metric #2 shows much higher BPCG payment ratios for long-start units.

	Count of Units	January	February	March	April	May	June	July	August	September	October	November	December	Total
All Units	BPCG for Units Cycling	\$ 15,462	\$ 17,325	\$ 15,180	\$ 39,929	\$ 19,072	\$ 71,242	\$ 87,024	\$ 62,238	\$ 17,004	\$ 18,968	\$ 55,385	\$ 13,261	\$ 432,090
	Net Revenue for Units Cycling	\$ 2,214,120	\$ 1,484,561	\$ 855,888	\$ 151,569	\$ 370,574	\$ 2,277,244	\$ 6,619,486	\$ 4,168,197	\$ 1,377,763	\$ 776,712	\$ 1,838,169	\$ 2,109,446	\$ 24,243,727
	(BPCG)/(BPCG + Net Revenue)	0.7%	1.2%	1.7%	20.9%	4.9%	3.0%	1.3%	1.5%	1.2%	2.4%	2.9%	0.6%	1.8%
Fast-Start Units (Start-up time <=30 minutes)	BPCG for Units Cycling	\$ 4,334	\$ 1,667	\$ 290	\$ 9	\$ 204	\$ 2,790	\$ 7,588	\$ 6,788	\$ 4,932	\$ 4,667	\$ 813	\$ 372	\$ 34,454
	Net Revenue for Units Cycling	\$ 184,703	\$ 122,150	\$ 8,790	\$ 3,594	\$ 37,777	\$ 416,689	\$ 3,608,206	\$ 2,208,021	\$ 447,982	\$ 121,329	\$ 267,766	\$ 455,144	\$ 7,882,150
	(BPCG)/(BPCG + Net Revenue)	2.3%	1.3%	3.2%	0.2%	0.5%	0.7%	0.2%	0.3%	1.1%	3.7%	0.3%	0.1%	0.4%
Units with Start-up Time >30 minutes and <=1 hour	BPCG for Units Cycling	\$ 18	\$ 619	\$ 2,356	\$ 2,550	\$ 537	\$ -	\$ -	\$ -	\$ 5	\$ -	\$ 1,645	\$ -	\$ 7,730
	Net Revenue for Units Cycling	\$ 68,412	\$ 32,337	\$ 23,750	\$ 28,860	\$ 37,616	\$ 120,263	\$ 365,580	\$ 182,219	\$ 101,303	\$ 73,158	\$ 191,388	\$ 256,478	\$ 1,481,362
	(BPCG)/(BPCG + Net Revenue)	0.0%	1.9%	9.0%	8.1%	1.4%	0.0%	0.0%	0.0%	0.0%	0.0%	0.9%	0.0%	0.5%
Units with Start-up Time >1 hour and <=3 hours	BPCG for Units Cycling	\$ 5,555	\$ 10,676	\$ 6,340	\$ 14,168	\$ 10,182	\$ 3,540	\$ 240	\$ 45	\$ -	\$ 6,083	\$ 18,057	\$ 4,480	\$ 79,368
	Net Revenue for Units Cycling	\$ 239,880	\$ 213,011	\$ 221,028	\$ 78,289	\$ 221,510	\$ 546,303	\$ 724,428	\$ 828,781	\$ 442,369	\$ 435,093	\$ 567,641	\$ 772,895	\$ 5,291,228
	(BPCG)/(BPCG + Net Revenue)	2.3%	4.8%	2.8%	15.3%	4.4%	0.6%	0.0%	0.0%	0.0%	1.4%	3.1%	0.6%	1.5%
Units with Start-up Time >3 hours and <=6 hours	BPCG for Units Cycling	\$ 5,555	\$ 4,363	\$ 6,194	\$ 23,202	\$ 8,149	\$ 23,338	\$ 23,358	\$ 9,839	\$ 947	\$ 6,014	\$ 28,374	\$ 4,919	\$ 144,250
	Net Revenue for Units Cycling	\$ 1,712,831	\$ 1,117,063	\$ 583,824	\$ 40,827	\$ 58,695	\$ 1,052,262	\$ 1,762,582	\$ 780,546	\$ 340,440	\$ 112,029	\$ 506,190	\$ 492,548	\$ 8,559,837
	(BPCG)/(BPCG + Net Revenue)	0.3%	0.4%	1.0%	36.2%	12.2%	2.2%	1.3%	1.2%	0.3%	5.1%	5.3%	1.0%	1.7%
Units with Start-up Time >6 hours	BPCG for Units Cycling	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 41,574	\$ 55,839	\$ 45,566	\$ 11,120	\$ 2,205	\$ 6,496	\$ 3,490	\$ 166,289
	Net Revenue for Units Cycling	\$ 8,294	\$ -	\$ 18,497	\$ -	\$ 14,975	\$ 141,726	\$ 158,691	\$ 168,630	\$ 45,668	\$ 35,103	\$ 305,184	\$ 132,381	\$ 1,029,149
	(BPCG)/(BPCG + Net Revenue)	0.0%	0.0%	0.0%	0.0%	0.0%	22.7%	26.0%	21.3%	19.6%	5.9%	2.1%	2.6%	16.2%

## BPCG Metric #1

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There were questions on March 19 regarding the number of profitable DARU and LRR commitments.

- All of the DARU commitments were unprofitable. After discussing this finding with the NYISO we understand that this is because unit starts are only classified as DARU if they are unprofitable. Hence, this outcome is definitional.<sup>1</sup>
- Slightly less than 40% of the LRR commitments received BPCG over the year as a whole (10 out of 26).

1. This analysis classifies a resource as committed in DARU if it has a DARU commitment in any hour of its day-ahead market schedule. There are some resources that are unprofitable over their DARU schedule but earn profits in additional hours.

## Forecast Load Metric

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Forecast Load Metric = Total megawatt hours of output scheduled in final scheduling pass on long start units committed in forecast load pass. Figures in the table are total megawatt hours for the month.

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
MWH	2448	163	604	2740	6950	4079	5583	15,017	928	290	543	1080

## Forecast Load Metric

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Since this statistic is a metric for use in tracking trends over time, the units used are not critical.

- However, it might be useful to calibrate the metric so that the values provide more intuition regarding their impact on a typical day.
- Instead of total MWh per month, the metric could be reported as “Average MWH per day, divided by 13 high load hours per day.”
- Based on our calculations, by dividing the monthly total by 13 hours per day, the metric would approximate the MW impact of forecast load commitments in the 4 hours with the highest MW impact from forecast load commitments.

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
MWH	6.1	.4	1.5	7.0	17.2	10.5	13.9	37.3	2.4	.7	1.4	2.7

# Forecast Load Metric

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During the April 20 and September 20 meetings there was extended discussion of the proposed method for presenting this metric.

- A request was made for the NYISO to examine the difference between forecast load commitments on weekdays vs weekends.
- We were able to analyze this using the data that we originally compiled to calculate the metric.
- This analysis showed that 85.17% of the forecast load megawatt hours were scheduled on weekdays, while weekdays composed only 71.43 % of the days included in the analysis.



# Forecast Load Metric

This analysis of weekday and weekend commitments also found that the pattern of forecast load commitments was substantially different between weekdays and weekends at the hourly level.

- We found high levels of forecast load commitments during hours 15-18 during the weekdays, while those hours had far below average levels of forecast load commitments on weekends.

Hour	Hr DAM Sched Gen - Weekday	Hr DAM Sched Gen - Weekend
0	481.1	267.5
1	293.1	455.5
2	293.1	455.5
3	293.1	455.5
4	293.1	475.5
5	806	475.5
6	751	455.5
7	1140.2	455.5
8	1519.8	162.5
9	1059.3	455.5
10	643.8	162.5
11	1621.6	162.5
12	1997.7	162.5
13	2491.9	162.5
14	2308.3	162.5
15	2628.6	122.9
16	2750.4	188
17	2712.4	0
18	2865.6	59.2
19	1963.4	0
20	1576.8	0
21	1205.9	242.5
22	1351.9	291.6
23	1382.1	162.5

# Forecast Load Metric

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There are many options for how to present these data. We list four below:

- No adjustment: report MWh scheduled per month;
- MWh per hour adjustment: divide MWh scheduled by the number of hours in the month;
- MWh adjustment for all peak hours: divide MWh scheduled by the number of days in the month times 13 hours;
- MWh adjustment for weekday peak hours: divide MWh scheduled by the number of days in the month times 10 hours.

The NYISO proposes to decide on a metric in the discussion today so the process for compiling the metric on an ongoing basis can start.

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## Discussion of Real-Time Commitments

# Real-Time Commitments

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A primary focus of the real-time analysis is to assess the extent to which resources committed economically in RTC, with no day-ahead market schedule to impact offer prices, operate uneconomically in real-time and receive BPCG payments.

A secondary focus of the analysis is on the real-time bidding behavior of resources with day-ahead market schedules that are committed in RTC.

# Real-Time Commitments

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For the purpose of the initial discussion with market participants we have compiled the real-time metrics for the first week of every month in 2020.

- This approach enables the NYISO and market participants to review the metric over the year while avoiding devoting undue resources to compiling the initial metrics.
- We initially compiled data for the first week of January, April and July 2020 and January 2021. January 2021 data reflects new fast start pricing rules.
- We also completed analysis of August and October 2021 prior to the April meeting and reviewed it orally.
- We have now compiled data for the first week of each month January 2020 through January 2021.

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# Uneconomic Real-Time Commitments

# Uneconomic Commitments

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We envision using the same two metrics to measure the level of BPCG impacts on real-time commitments that we proposed for the day-ahead market. The two metrics are:

- Proportion of real-time economic starts receiving BPCG  
[starts receiving BPCG/Total economic starts]
- Relationship between BPCG and Margins  
[Total BPCG payments/(Total BPCG Payments + Total Net Margins)]

# Uneconomic Commitments

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As in the day-ahead market analysis we envision limiting the metric to resources committed economically in RTC and to resources cycling on and off within the operating day.

- We exclude resources committed by SRE's or out of merit operator commitments from the metrics.
  - We understand from the discussion on March 19 that some stakeholders would like to see similar metrics for resources committed out of merit.
  - Potomac Economics reports a variety of tabulations relating to out-of-market schedules and commitments. These metrics are focused on economic commitments.
  - Because BPCG is calculated over the day, combining economic and OOM starts, we have excluded both the economic and OOM start in these instances.



# Uneconomic Commitments

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- We also exclude resources that are self-committed by the market participant.
  - Margins that are calculated without accounting for start up costs or other commitment costs would be overstated and understate the impact of BPCG on the price signal.
  - It will be difficult in practice, however, to exclude resources that are in effect self-committed by submitting understated commitment costs offers.

# Uneconomic Commitments

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We limit the resources included in calculating the metric to resources that cycle on and off within the operating day.

- This assessment of cycling is based on the 24 hour calendar day. This definition can exclude a few units that came on late in the prior day or off very early in the next day.
  - We understand from the prior discussions that some stakeholders would like to see metrics that include resources committed in RTC that continue operating past the end of the day.
  - We have a concern, however, that such units may remain on line into the second day because of changes in their offer prices that are intended to keep them on line over night and margins calculated based on those offer prices may overstate actual margins.

# Uneconomic Commitments

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We re-examined the data for the 13 months we have analyzed to date.

- We determined that there are only four instances of units that would be eligible to be included in the analysis that either were already on at the beginning of the day or continued operating into the next day.
- In considering this finding we should keep in mind that the real-time commitment analysis is limited to units committed in RTC, which only includes units with 30 minute or shorter start up and notification times.
- We believe that the small number of such cases is consistent with our decision to exclude them from the analysis.

## Uneconomic Commitments

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- We also exclude resources with day-ahead market schedules that overlap any part of their real-time commitment because of the potential for understated real-time commitment cost offers that would overstate actual margins and understate the impact of BPCG on the price signal.
  - We have, however, analyzed the day-ahead and real-time commitment cost offers as discussed in the second part of this section.
- We have excluded units with total output less than 10MW to avoid unduly impacting metric 1 with failed starts and other anomalies. These starts are also excluded from metric 2 but the impact is immaterial.

# Uneconomic Commitments

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- Starts with zero values for both BPCG and margins are also excluded.
  - The NYISO has further examined these cases since April and determined that these units have zero values reported for both BPCG and net margins because they are not eligible for BPCG for one reason or another and the net margin is not calculated in the settlement data used to compile the metric.
  - Since these units could have either profits or losses but we do not know which, this analysis confirms our decision to exclude them from the metric.
  - The number of started excluded is very small, 22 units over the 13 months.

# BPCG Metric #1

BPCG Metric #1: Uneconomic Real-time Commitments/Total # real-time Economic Commitments

The metric portrays a relatively high level of uneconomic real-time commitments over the months studied. The ratio exceeds 70% in 4 months, and 50% in 8 months, and is less than 30% in only 1 month.

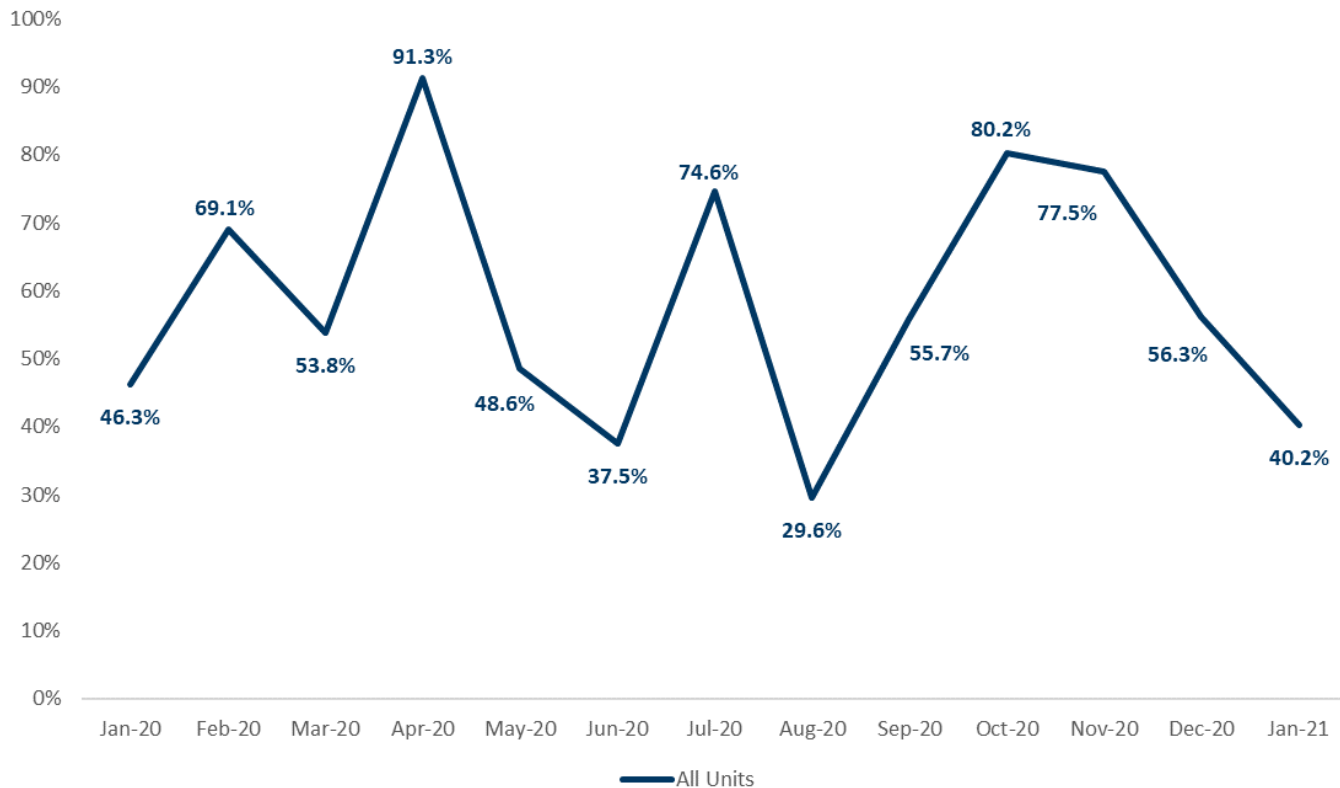
However, this is the month with the most commitments.

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan 21	Total
Total	67	55	65	23	72	64	142	213	70	96	80	64	87	1,098
BPCG	31	38	35	21	35	24	106	63	39	77	62	36	35	602
No BPCG	36	17	30	2	37	40	36	150	31	19	18	28	52	496
% BPCG	46.3	69.1	53.9	91.3	48.6	37.5	74.7	29.6	55.7	80.2	77.5	56.3	40.2	54.8

# BPCG Metric #1

BPCG Metric #1: Uneconomic Real-time Commitments/Total # real-time Economic Commitments

This figure shows the pattern over the year.



## BPCG Metric #2

BPCG Metric 2: Total BPCG relative to Total Margins(profitable starts).<sup>1</sup>

The Metric indicates that BPCG accounted for 36% of the net margins of fast start units over the period. The ratio is much higher in some months but those are months with low total margins and BPCG.

	Jan	Feb	Mar	April	May	June	July
Total	10.6%	56.0%	35.3%	95.1%	19.7%	11.9%	43.0%
Fast Start	55.9%	84.4%	57.5%	97.2%	35.8%	17.3%	61.9%
BPCG	\$11,291	\$11,005	\$17,277	\$15,574	\$19,117	\$22,762	\$36,214
Net Margin	\$8,924	\$2,042	\$12,785	\$447	\$34,342	\$108,945	\$22,323
30 Minute	3.4%	36.0%	7.8%	81.7%	7.9%	.4%	20.4%
BPCG	\$4,255	\$6,640	\$1,890	\$2,108	\$5,668	\$223	\$9,980
Net Margin	\$122,479	\$11,801	\$22,318	\$472	\$66,478	\$61,258	\$39,035

1. The total margin calculation only includes the margins on starts that did not receive BPCG, the total margin is not reduced by the losses that are made whole with BPCG payments.



## BPCG Metric #2

BPCG Metric 2: Total BPCG relative to Total Margins(profitable starts).<sup>1</sup>

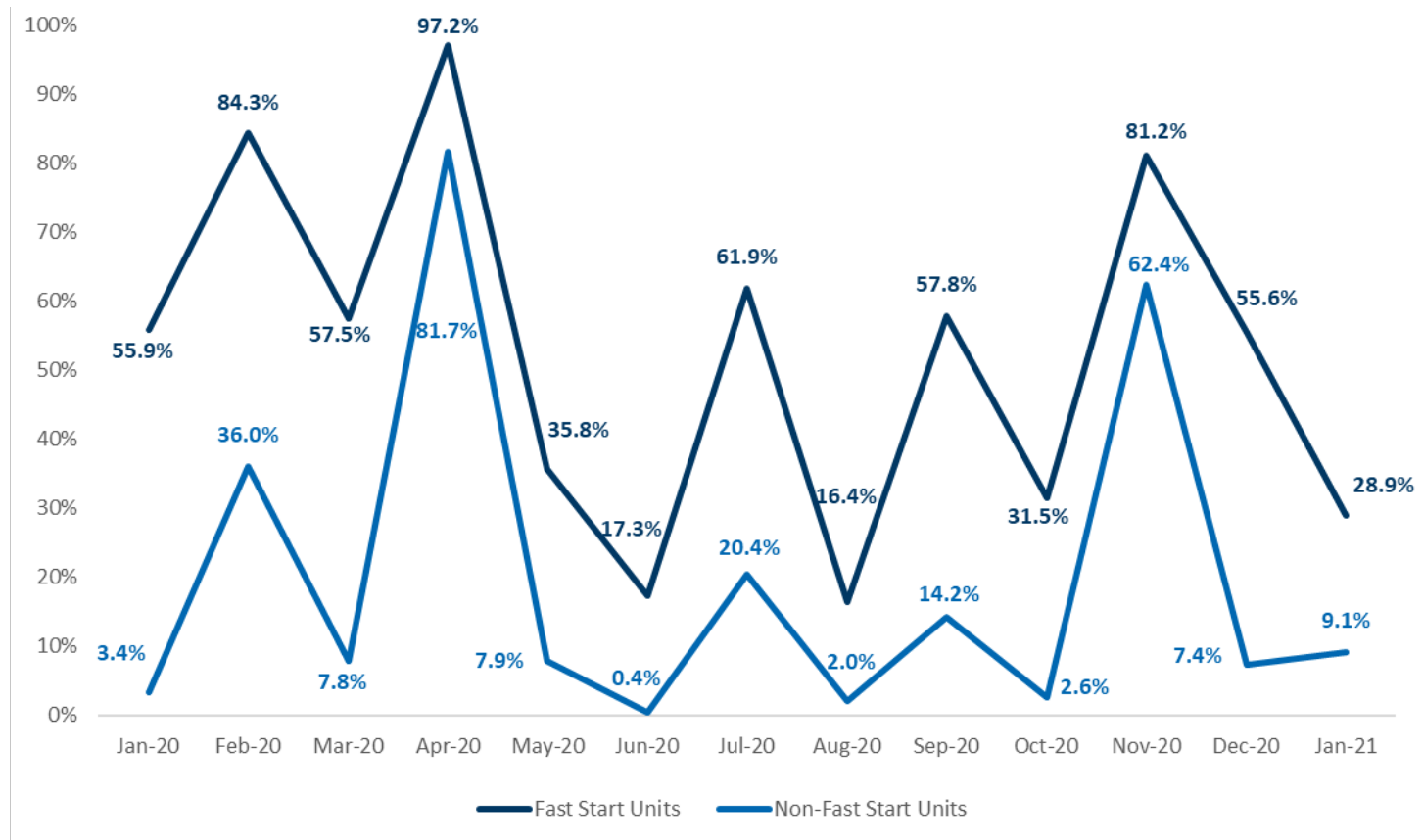
The Metric indicates that BPCG accounted for only 9% of the margins of 30 minute units over the period. As with fast start units the ratio was much higher in some months but they were months with low overall margins and BPCG.

	Aug	Sep	Oct	Nov	Dec	Jan 21	Totals
Total	11.6%	35.0%	13.4%	73.0%	30.5%	21.6%	22.9%
Fast Start	16.4%	57.8%	31.5%	81.3%	55.6%	28.9%	35.9%
BPCG	\$45,189	\$27,692	\$48,180	\$48,896	\$45,626	\$41,605	\$390,427
Net Margin	\$231,169	\$20,192	\$104,968	\$11,287	\$36,480	\$102,352	\$696,256
30 Minute	2.0%	14.2%	2.6%	63.4%	7.4%	9.1%	9.0%
BPCG	\$2,668	\$7,441	\$6,621	\$29,483	\$6,585	\$7,713	\$91,272
Net Margin	\$132,329	\$45,001	\$248,079	\$17,770	\$82,389	\$76,738	\$926,148

1. The total margin calculation only includes the margins on starts that did not receive BPCG, the total margin is not reduced by the losses that are made whole with BPCG payments.

## BPCG Metric #2

BPCG Metric #2: Total BPCG relative to Total Margins(profitable starts).  
This figure shows the pattern over the year.



# Uneconomic Commitments

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We noted in the September 20 meeting that we had begun considering the potential impact of including units started in conjunction with reserve pickups in the analysis.

- Information on whether resources were started as a result of reserve pickups was not included in the data used to compile the original analysis.
- The NYISO has subsequently compiled data identifying all units started during a reserve pickup over the period January through June 2020.

# Uneconomic Commitments

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The NYISO and FTI have matched the sample used for the BPCG analysis to reserve pick up intervals.

- None of the unit starts included in the BPCG analysis for the Months January through May, involved units started during a reserve pick up interval
- For June 2020, we have used this information on reserve pick up intervals to calculate two additional versions of the original metrics: the first excludes units started as part of a reserve pickup, the second only includes units started as part of a reserve pickup.

# Uneconomic Commitments

The June data does not show a pattern of higher BPCG levels or rates being associated with units started during reserve pick up intervals.

	Positive BPCG	Other Units	% BPCG
Economic Commitments	22	35	38.60%
Reserve Pick Ups	2	5	28.57%
<b>Total</b>	<b>24</b>	<b>40</b>	<b>37.50%</b>

	BPCG Paid	Net Margin	% (BPCG/BPCG + Margin)
Economic Commitments	\$20,990.11	\$130,176.00	13.89%
Reserve Pick Ups	\$1,995.06	\$40,026.87	4.75%
<b>Total</b>	<b>\$22,985.17</b>	<b>\$170,202.87</b>	<b>11.90%</b>

# Uneconomic Commitments

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The January to June data for the overall BPCG analysis includes 265 fast start unit (10 minutes or less) starts.

- Seven of these starts occurred during large unit reserve pickups.
- No additional units were started until 15 minutes after the end of these reserve pickups, which should be unrelated.
- There are a total of 19 units included in the analysis that were on line during a reserve pick up interval (this includes the seven that started during a reserve pickup interval).

# Uneconomic Commitments

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Our conclusion from this additional analysis is that reserve pickups had an immaterial impact on the BPCG analysis and the high rates of BPCG payments for real-time starts is not attributable to reserve pickups.

We therefore propose to compile the overall metric as originally proposed without distinguishing between units started during reserve pickups and at other times.

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## Offer Prices of Units with Day-Ahead Market Schedules



## Units with DAM Schedules

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We propose to analyze the RTC commitment cost offers of resources with day-ahead market schedules to assess the magnitude of reductions in real-time commitment cost offers.

The concern is that the potential to incur large losses if a resource with a day-ahead market schedule is not committed economically in RTC may incentivize resources with day-ahead market schedules to understate their commitment cost offers in real-time, resulting in more resources being on line in real-time than is efficient.

## Units with DAM Schedules

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Uneconomic reductions in commitment offers between day-ahead and real-time could have a larger impact on market efficiency in the future as a consequence of rising levels of intermittent resource output.

- There could be rising levels of intermittent output that is available in the operating day but is not cleared in the day-ahead market.
- This outcome could arise from limits on the accuracy of day-ahead forecasts of intermittent resource output or from incentives created by the structure of the subsidies or of procurement contracts.

## Units with DAM Schedules

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The NYISO needs flexible resources with day-ahead market schedules to be available to be committed to meet load if intermittent resource output is consistent with the output cleared in the day-ahead market.

- However, both market efficiency and avoiding unnecessary emissions requires that these resources not come on line when real-time intermittent resource output is higher than the amount cleared in the day-ahead market and these resources' output is not needed to meet load.

## Units with DAM Schedules

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Low real-time prices when intermittent resource output is high should in principle make it profitable for resources with day-ahead market schedules to remain off-line when their output is not needed, and their operation is not economic at real-time prices.

- Low real-time prices would enable these resources to buy back their day-ahead market schedules at a profit. However:
- Inaccurate RTC evaluations could contribute to unnecessary commitments by RTC.
- Inaccurate RTC evaluations could also contribute to suppliers with day-ahead market schedules being unwilling to risk large losses from inaccurate RTC price forecasts and therefore reducing their real-time commitment cost offers to ensure they are committed in RTC.

## Units with DAM Schedules

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We propose to focus on the difference between commitment cost offers in the day-ahead market and RTC for resources with day-ahead market schedules.

- The analysis excludes units with OOM commitments or that are self-committed in the day-ahead market. The analysis is also limited to resources that cycle within the operating day and are committed in RTC (start time of 30 minutes or less).
- We expect some reduction in commitment cost offers between day-ahead and real-time because some day-ahead market commitment costs will be sunk in real-time.

## Units with DAM Schedules

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- We have used a 10% threshold for commitment cost reductions for this initial analysis. Commitment costs are the sum of start up costs and minimum load costs of the hours of the day-ahead market schedule.

The initial analysis portrays the entire distribution of reductions in commitment cost offers and the thresholds used for a metric can be informed by this data and by discussions with market participants.

## Units with DAM Schedules

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The data on day-ahead market commitment cost offers show that only in July did a meaningful number of units reduce their commitment cost offers more than 10% between day-ahead and real-time.

- We used a 10% reduction to classify the data but in practice, all of the units that reduced their offers by more than 10%, reduced their real-time offers to less than 10% of the day-ahead market offer.

RTC Commitment Offers	January	April	July	January 2021
>90% DAM	15	2	766	147
<90% DAM	0	0	53	6
Total	15	2	819	153

## Units with DAM Schedules

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Offer price changes in winter months may reflect changes in gas prices between day-ahead and real-time.

- We do not propose to try to control for differences between day-ahead and real-time gas prices in the metric.
- We instead propose to keep this factor in mind in comparing January data to outcomes in other months. In any case, the data show that for January 2020 and 2021 there is no pattern of large offer price reductions in these months.
- We have broken the results down between units able to start in 15minutes or less and slower starting resources, to examine whether there is a difference in offering behavior related to start time.



## Units with DAM Schedules

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The data show that offer price reductions were concentrated in fast start units but only in July were a substantial number of fast start units committed in the day-ahead market.

Start Times	January	April	July	January 2021
<15 Minute				
>90% DAM	7	0	217	25
<90% DAM	0	0	53	6
>15 Minute				
>90% DAM	8	2	549	122
<90% DAM	0	0	0	0

## Units with DAM Schedules

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The pattern in the data presented in April was sufficiently clear and consistent that we have not carried out the calculations for the remaining months.

The NYISO will be compiling this metric on an ongoing basis so that changes in the current pattern can be identified.

## Next Steps

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- The NYISO proposes to move forward with developing the metrics consistent with the discussion today.
- The NYISO plans to work with FTI to compile these metrics for 2021 and present them to stakeholders in early 2022.
- The NYISO will be looking to incorporate new BPCG metrics into existing reporting in 2022.