

Market Services Tariff Updates

Market Mitigation Measures

Attachment H

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Objective of this Working Group session

- Identify opportunities to improve sections of the MST Attachment H with MMA comments/observations.
- Propose possible revisions to the language and solicit feedback.

Sections of the MST Attachment H

- 23.3.1.2.1.1 - Offer floor used to identify Economic Withholding
- 23.3.1.2.2.1 - Hours used in the calculation of Load Pocket Thresholds
- 23.3.1.4 - Offer/price floor for Reference Level Development
- 23.4.3.3.3 - Sanctions applied to Generators who submit inaccurate Fuel Cost Adjustments
- 23.4.8 - Timeframe used in application of Default Bid Mitigation
- 23.5.2.1 - DARU Mitigation of In-City units committed for Reliability

Offer floor for Economic Withholding

- 23.3.1.2.1.1 – Thresholds for Economic Withholding
- Thresholds are employed by the ISO to identify economic withholding that may warrant mitigation.
- For Incremental Energy or Minimum Generation, bids below \$25 per MWh are deemed not to constitute economic withholding. Operating Reserves, Bids below \$5 per MW are deemed not to constitute economic withholding
- Recent Natural Gas Pricing has resulted in lower offers to provide energy services. The original \$25/\$5 floors likely did not anticipate price sensitive offers below these values. The NYISO has evaluated the possibility of implementing lower price floors, including removing the price floors. At this point, the NYISO is requesting comments related to evaluating a new floor that may include removing it altogether.

Load Pocket Thresholds

■ 23.3.1.2.2.1 – Load Pocket Thresholds

- Current Formula used to calculate Load Pocket Thresholds:

$$\text{Threshold} = \frac{2\% * \text{Average Price} * 8760}{\text{Constrained Hours}}$$

- Every fourth year the number of hours is 8784. The proposed change would clarify the number of hours used would be consistent with the actual number of hours in the preceding 12 month period.

Offer/Bid floor for Reference Level Development

- 23.3.1.4 – Floor for Bid and LBMP based Reference Level Development.
- For both Bid-based and LBMP-based reference levels, observations of offers and prices below \$15 per MWh are excluded from the reference level averaging.
- As with the \$25 floor for Economic Withholding, low gas pricing has resulted in competitive offers and prices below \$15.
- The NYISO is requesting comments related to evaluating a new price and offer floor exclusion for reference level development.

Sanctions for Inaccurate Fuel Cost Adjustments

- The NYISO reviews Fuel Costs submitted by Market Parties to ensure they are accurate.
- If the Fuel Cost submitted is inaccurate, and the Generator received an energy schedule, the NYISO shall determine if the inaccurate submission resulted in impact on market clearing prices or guarantee payments made to the Generator.
- If the impact thresholds are exceeded, the NYISO shall impose a penalty should the penalty exceed \$5000/day.
- If the Generator by way of an inaccurate FCA **avoids** being economically scheduled, the inaccurate Fuel Cost submitted can not result in a penalty, but may result in the Market Party losing the Fuel Cost Adjustment Functionality.

Sanctions for Inaccurate Fuel Costs Adjustments – Example

- Generator bids \$300/MWh for Incremental Energy.
- Generator adjusts reference level accordingly using a \$30 FCA. The market price for fuel in this hour is \$10. This \$30 FCA is later determined to be inaccurate.
- This Generator was withheld by way of the uneconomic \$300 bid. MMA later determines that the withholding had market impact greater than \$100/MWh, but MMA can not mitigate because there is no mitigation measure to address withholding that is achieved by submitting an inaccurate FCA .
- FCA review would ultimately result in this Generator losing the ability to use FCA, but the clearing price established by the original \$300 bid would not be reset.

Sanctions for Inaccurate Fuel Costs

Adjustments continued

- A Generator who submits inaccurate fuel cost information, and is not scheduled to provide energy, is not subject to any sanction for its behavior.
- 2017 State of the Market Recommendation - *Modify mitigation rules to deter the use of fuel cost adjustments by a supplier to economically withhold.*
- If a Generator submits inaccurate Fuel Cost information, and the offer(s) submitted would have resulted in conduct and impact using reference levels with accurate fuel cost information, the NYISO is recommending impose a sanction analogous to the penalty associated with Physical Withholding - the MW submitted times the Market Clearing Price (23.4.3.3.1).
- The NYISO is requesting comments on the MMU's proposal and on other options that can be implemented to deter this behavior.

Default Bid Mitigation Timeframe

- 23.4.8 – Default Bid Mitigation Timeframe
- ...any mitigation measure imposed...shall expire not later than six months after the occurrence of the conduct giving rise to the measure...
- **Unlike the Automatic Mitigation applied in the NYC zone, Default Bid Mitigation is manually imposed at the conclusion of the Mitigation Consultation. Some Mitigation Consultations can take several weeks, even months to conclude for various reasons.**
 - Many consultations require verification of fuel costs that can involve gathering of fuel invoice data.
 - Some bid components may include costs unrelated to fuel that are difficult to quantify, e.g., opportunity/maintenance costs.
 - There may be several iterations between the MMA and the MP. MMA would generally allow two weeks for each request.
- **The NYISO is considering changing the timeframe for applying the Default Bid Mitigation Measure from six months from the market day on which the withholding occurred to six months from the conclusion of the Mitigation Consultation.**

Default Bid Mitigation Timeframe Example

- Generator bids \$300/MWhr in a non-constrained area. The reference level associated with this offer is \$100/MWhr so this offer is flagged for having “conduct”.
- MMA will evaluate market conditions to determine if this offer could have had impact on market clearing prices. If so, a market rerun is performed to determine if the original offer had market impact using the original reference level. If the market impact thresholds are exceeded, MMA will initiate a Mitigation Consultation with the Market Participant. This process alone could take several weeks especially during peak seasons.
- As noted, it may take several weeks/months to resolve a Mitigation Consultation.
- Currently MMA can not programmatically apply the Default Bid Mitigation measure so coordinating with the MP the rules that must be adhered to can also take several weeks.
- Occasionally this may leave MMA applying this Mitigation for a little as two weeks. This short period of mitigation does not serve as an adequate deterrent to rectify the original behavior.

Default Bid Mitigation Timeframe continued

- Given the length of some Mitigation Consultations, MMA can be in a position to Default Bid Mitigate a Generator for less than a month.
- The finite window presents a disincentive to timely respond to requests for information
- The NYISO is requesting comments regarding changing the timeframe of Default Bid Mitigation.
- One possible option would be changing the timeframe from six months from the market day identified to six months from the conclusion of the Mitigation Consultation.

DARU Mitigation for NYC Generators

- 23.5.2.1 – DARU Mitigation of an In-City Generator
- If an In-City Generator is scheduled in the Day-Ahead Market to meet the reliability of a local system, the NYISO will set the Generator's Start-Up and Minimum Generation offer to the lower of bid or reference level.
- The current language seemingly precludes the NYISO from applying Mitigation should the NYISO DARU the In-City Generator for NYISO reliability.
- The NYISO proposes to remove the requirement of this mitigation measure only applying to commitments for local reliability.

Next Steps

- Second September MIWG
- October BIC
- November MC
 - Vote on Tariff revisions
- NYISO Board of Directors
- FERC Filing

Questions?

The Mission of the New York Independent System Operator, in collaboration with its stakeholders, is to serve the public interest and provide benefits 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 policy makers, stakeholders and investors in the power system



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