

# Long Island Reserve Constraint Pricing

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February 7<sup>th</sup>, 2024

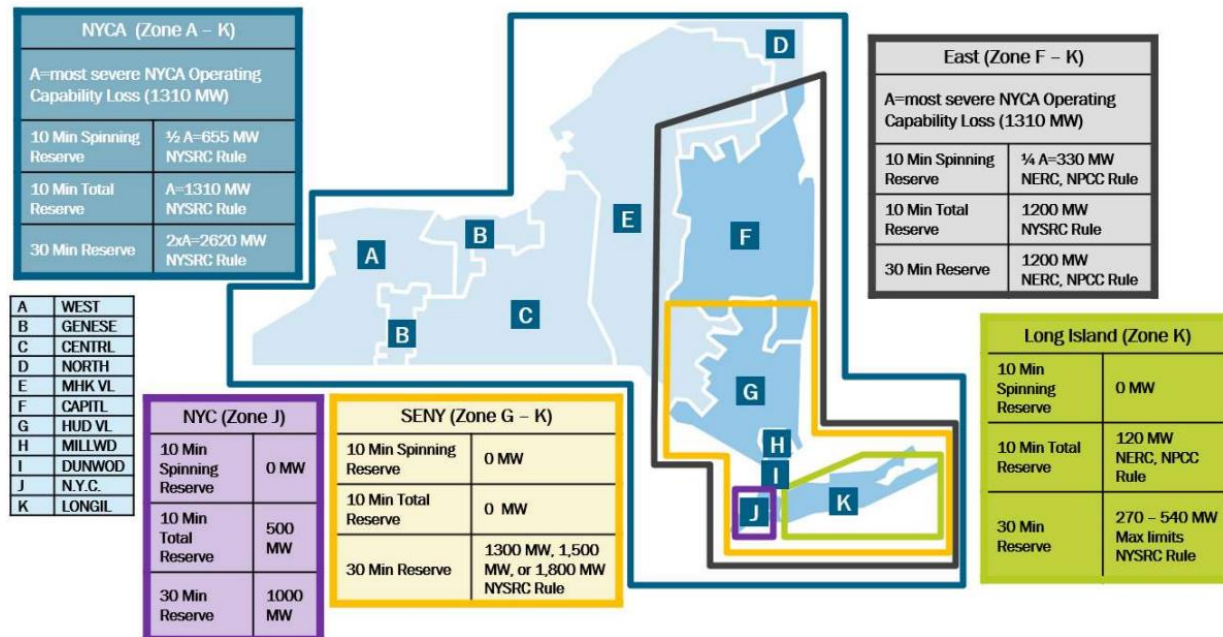
# Agenda

- **Background**
- **Project Scope**
- **Interaction with other projects**
- **Next Steps**

# Background

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- Long Island Reserve Providers are currently paid based on the clearing prices for the larger Southeastern New York (SENY) reserve region\* (Load Zones G-K)



\* Under EDRP/SCR activation involving a scarcity reserve region that includes zone K and at least one other zone, the zone K reserve clearing price is set equal to the sum of the SENY reserve clearing price for the relevant product and the scarcity TCG shadow prices associated with the relevant product

# Background (continued)

- **Potomac on the 2019 State of the Market Report, made recommendation 2019-01: Set day-ahead and real-time reserve clearing prices considering reserve constraints for Long Island.**
  - “The day-ahead and real-time markets schedule resources to satisfy reserve requirements, including specific requirements for 10-minute spinning reserves, 10-minute total reserves, and 30-minute total reserves on Long Island. However, reserve providers on Long Island are not paid reserve clearing prices corresponding to these requirements. Instead, they are paid based on the clearing prices for the larger Southeast New York region. Compensating reserve providers in accordance with the day-ahead and real-time scheduling decisions would improve incentives in the day-ahead and real-time markets, and it would also provide better signals to new investors in over the long term.”

# Project Scope

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- **The initial project scope included conducting a study to further evaluate the current compensation rules for Long Island reserve providers and whether revisions thereto may be reasonable and provide for improved efficiency in pricing outcomes and performance incentives for Long Island reserve providers.**
  - The project scope was finalized prior to the Dynamic Reserves project proposing a nodal reserve pricing design and to set Long Island reserve prices based on Long Island reserve constraints.
  - As such, this presentation will discuss the interactions of this project with Dynamic Reserves, and deployment timing.
- **The 2024 project deliverable is a Market Design Concept proposed.**

# Interaction with other projects



# Interaction with other projects

## ■ Dynamic Reserves:

- There will no longer be defined reserve areas. The reserve areas as defined today provide a location signal based on specific interfaces across NYCA. With Dynamic Reserves, reserve prices will be calculated at a nodal level. Prices at a particular node will reflect the shadow cost of all the reserve constraints that a unit at that node can help provide relief.
- As part of Dynamic Reserves formulation, and to fulfill Potomac 2019-1 recommendation it was proposed to eliminate the Long Island reserve pricing using the SENY price (as a natural outcome of the design).

# Interaction with other projects (continued)

## ■ Dynamic Reserves:

- Dynamic Reserve has an expected deployment in 2026.
- The implication of Dynamic Reserves for the Long Island Reserve Pricing project are that the changes pursued with this project could be in effect for only a few months or, potentially, up to a year.

# Discussion

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- **The NYISO identifies two alternatives that would like to have Stakeholders input on:**
  1. Deploy Long Island reserve constraint pricing in 2025
  2. Deploy Long Island reserve constraint pricing in 2026, concurrent with Dynamic Reserves

# Discussion: 1. Deploy Long Island reserve constraint pricing in 2025

- **At least the following elements would need to be addressed in 2025:**
  - Market Design Complete (with Tariff Changes)
  - Functional Requirements
  - Software development and testing on the NYISO systems
  - FERC's acceptance of proposed Tariff changes
- **Most of the work put into this project, would need to be redone by Dynamic Reserves.**
- **The NYISO could continue to evaluate the efforts needed for a 2025 deployment and provide Stakeholders with a clearer idea on when deployment could be expected.**

# Discussion: 2. Deploy Long Island reserve constraint pricing in 2026, concurrent with Dynamic Reserves

- This would avoid duplicative design, testing, and implementation efforts. Duplicative efforts would primarily occur for groups and processes that utilize market prices such as price validation and market mitigation.
- The Market Design Concept Proposed for the Long Island reserve constraint pricing project would indicate that Dynamic Reserves will address the changes to the Long Island reserve prices.

# Next Steps

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- Consider stakeholder feedback and return to MIWG for further discussion



# Our Mission & Vision



## Mission

Ensure power system reliability and competitive markets for New York in a clean energy future



## Vision

Working together with stakeholders to build the cleanest, most reliable electric system in the nation