

2025 - 2029 ICAP Demand Curve Reset: Proposed Tariff Revisions (Real-Time Energy Prices for Net EAS Revenue Estimates)

Zach T Smith, Senior Manager, Capacity and New Resource Integration
Market Solutions

ICAPWG

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Agenda

- **Background**
- **Proposal**
- **Proposed Tariff Revisions**
- **Next Steps**

Purpose of today's discussion

- Today's presentation and discussion is attempting to clarify the conceptual proposal to facilitate stakeholder understanding, as well as reviewing draft tariff language
- The NYISO recognizes this proposal is being pursued on an expedited basis to help provide certainty regarding the requirements applicable for the ongoing 2025-2029 ICAP Demand Curve reset (DCR)
- The NYISO, however, is attempting to provide stakeholders additional opportunities to discuss and understand the proposal

Background

Background

- **Section 5.14.1.2.2.2 of the Market Administration and Control Area Services Tariff (MST) addresses the requirements for estimating net Energy and Ancillary Services (EAS) revenue earnings of peaking plant options as part of determining the ICAP Demand Curves**
 - As part of the DCR, a model(s) is(are) developed for use in determining the net EAS revenue offset of each peaking plant (commonly referred to as the “net EAS revenue model”)
 - The detailed operation of the model(s), including its commitment/dispatch logic and specific inputs and assumptions are not hardwired in the tariff. These details are required to be developed as part of each reset and included in the filing to FERC proposing the results of each DCR
- **Currently, Section 5.14.1.2.2.2 does not allow for the use of 5-minute real-time LBMPs when estimating net EAS revenues for peaking plants**
 - Section 5.14.1.2.2.2 prescribes use of hourly zonal LBMPs for both Day-Ahead and real-time

Background

- At the 01/25/2024 ICAPWG meeting, stakeholders requested that Analysis Group evaluate the impact of using 5-minute real-time prices in the net EAS revenue model for energy storage
- At the 02/29/2024 ICAPWG meeting, stakeholders requested that Analysis Group also assess the development of an alternative solution for considering the potential impact of 5-minute real-time prices if the net EAS revenue model for energy storage continues to use only hourly prices
- As potential peaking plant technology options evolve over time, the operating characteristics of certain technologies may warrant consideration of using 5-minute real-time prices instead of hourly prices as part of estimating net EAS revenues

Proposal

Proposal

- The NYISO proposal consists of 2 conceptual changes
- The 1st change is to permit the usage of 5-minute RTD prices in the net EAS model, in addition to the currently permitted usage of hourly prices
 - This proposal does not require the usage of 5-minute RTD pricing, but instead provides the option to evaluate net real-time Energy revenues at interval increments used by Real-Time Dispatch (“RTD”) (i.e., nominal 5-minute intervals).
 - The decision of whether to use hourly or 5-minute real-time prices would be established as a determination to be made as part of each reset when developing the net EAS model(s) for each of the potential technologies being evaluated
 - Consistent with the current tariff requirements, the details and specifics regarding the net EAS model logic, inputs, and assumptions are determined during the DCR
 - For example, if consideration of RTD interval prices is desired for the evaluation of energy storage, the details regarding such a model would be developed in collaboration with stakeholders as part of the DCR

Proposal

- **The 2nd change is to expand the existing allowable “adder” for net Ancillary Services revenues that are not determined by the model to include potential net real-time Energy revenues not determined by the model**
 - For the past two resets, the existing net Ancillary Services “adder” has been used to account for voltage support service revenue
 - This proposal limits the potential use of a net real-time Energy revenue “adder” to only circumstances where a decision is made in the DCR to use hourly real-time prices
 - The “adder” is intended to account for an estimate of any incremental net real-time Energy revenue a technology could have earned if the net EAS model used 5-minute real-time prices
 - Consistent with the current tariff requirements, any “adder” for such real-time Energy revenue would be determined as part of the DCR and remain fixed for the reset period

Proposal

- **The proposal should not be interpreted as an indication of any final determinations regarding the net EAS revenue methodology for the ongoing 2025-2029 DCR**
 - Instead, the proposal merely facilitates a determination that has yet to be made and will need to be fully evaluated as part of the ongoing reset
- **The appropriateness of using 5-minute real-time in evaluating energy storage for the 2025-2029 reset period will continue to be assessed and discussed as part of the ongoing DCR**
 - If use of 5-minute real-time pricing is ultimately recommended, the net EAS revenue model details to effectuate such usage will need to be developed in collaboration with stakeholders as part of the ongoing reset
 - Consistent with all other inputs and assumptions developed as part of the DCR, the proposed results of the 2025-2029 DCR must be filed with FERC

Proposed Tariff Revisions

Proposed Tariff Revisions

- The proposed tariff revisions are posted with today’s meeting material and include additional revisions in response to stakeholder feedback from the 03/04/2024 ICAPWG meeting highlighted in blue
- The proposed revisions are limited to MST Section 5.14.1.2.2.2 and address the following:
 - Replace references of “hour t ” to “time interval t ”
 - Time interval for Day-Ahead is one-hour increments (no change from the current tariff requirements)
 - Time interval for real-time is determined as part of the DCR as either one-hour increments or nominal 5-minute increments for each of the technology options being evaluated
 - Establish a requirement to determine as part of each DCR whether the evaluation of net real-time revenues for a technology option will use one-hour increments or nominal 5-minute increments (i.e., the interval increments used by RTD)
 - The time interval determinations are informed by the operating capabilities of each technology option being evaluated
 - The real-time interval for each technology option remains fixed for the duration of each reset

Proposed Tariff Revisions (cont.)

■ Proposed revisions to MST Section 5.14.1.2.2.2 (cont.)

- Clarify the applicable prices to be used for each time increment
 - Day-Ahead continues use of Day-Ahead zonal LBMPs (no change from the current tariff requirements)
 - One-hour increments in real-time use time-weighted/integrated zonal RTD LBMPs (no change from the current tariff requirements)
 - Nominal 5-minute increments in real-time use zonal RTD LBMPs
- Permit consideration of the need for a potential “adder” to account for an estimate of any incremental net real-time Energy revenues not captured by the net EAS revenue model if the model evaluates net real-time Energy revenues in one-hour increments
 - The potential “adder” for net real-time Energy revenue does not apply if the net EAS model for a technology option uses nominal 5-minute intervals
 - The potential “adder” is limited to addressing an estimate of the incremental net real-time Energy revenue a technology could have earned if 5-minute pricing had been used
 - Any such adder would be determined as part of each reset and remain fixed for the entire period covered by each reset

Next Steps

Next Steps

- **The schedule initially developed for the 2025-2029 DCR contemplated seeking approval of any process-related tariff revisions by no later than the March 2024 Management Committee (MC) meeting**
 - The NYISO seeks to maintain alignment with the initial schedule to help provide certainty regarding the requirements applicable for the reset
- **March 19, 2024 BIC: Seek stakeholder approval of the proposed concepts**
- **March 2024 MC: Seek stakeholder approval of the proposed tariff revisions**

Questions?

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