

2025 - 2029 ICAP Demand Curve Reset: Real-Time Energy Prices for Net EAS Revenue Estimates

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Purpose of today's discussion

- **The purpose of today's discussion is to solicit additional feedback on the NYISO's proposal presented at the 03/13/2024 ICAPWG**
 - The proposal intends to allow for: (1) the potential usage of RTD interval prices in the net Energy and Ancillary Services (EAS) revenue model if warranted based on consideration of the operating capabilities of each technology option, and (2) the consideration of a potential net real-time Energy revenue “add” in circumstances where the net EAS revenue model continues to use hourly real-time prices
 - The proposal establishes that decisions regarding the real-time pricing granularity used for each technology option and, if applicable, any real-time Energy revenue “add” are to be made as part of each ICAP Demand Curve reset (DCR) and included as part of the required filing to FERC addressing the proposed outcomes of each reset

Agenda

- Background
- Proposal
- Next Steps

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 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

- 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
- To have the ability to capture the impact of 5-minute real-time prices in the net EAS revenue estimates for applicable technologies, the NYISO has proposed two conceptual changes

Proposal

Proposal

- **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 use 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) if warranted based on consideration of the operating capability of a given technology option.
 - 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 allow for the consideration of a net real-time Energy revenue “add” in circumstances where the net EAS revenue model continues to use hourly real-time prices**
 - This proposal limits the potential use of a net real-time Energy revenue “add” to only circumstances where a decision is made in the DCR to use hourly real-time prices
 - The “add” 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 “add” 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 prices or a net real-time Energy revenue “adder” 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

Requested Feedback

- **Given the updates from Analysis Group regarding the status and feasibility of developing and utilizing a 5-minute real-time model for energy storage for the 2025-2029 DCR, is there a desire from stakeholders to retain the net real-time Energy revenue “add” in the proposal?**
 - While some stakeholders have expressed concerns with this component of the proposal, there could be value in preserving the adder as part of the proposal due to the fact that details of the 5-minute real-time model for energy storage for the 2025-2029 DCR remain under development and discussion with stakeholders
 - This component may also provide value for future resets and technology options

Next Steps

Next Steps

- **The NYISO is requesting feedback on the tariff revisions posted with today's meeting materials**
 - These revisions remain unchanged from the 03/13/2024 ICAPWG
 - Please send feedback to mmohrman@nyiso.com
- **April 10, 2024 BIC: Seek stakeholder approval of final proposal concepts**
- **April 24, 2024 MC: Seek stakeholder approval of final 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