New York ISO
Independent System Operator

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

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Business Issues Committee

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Agenda

- Background
- Proposal
- Draft Tariff Revisions
- Next Steps

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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 each quadrennial ICAP Demand Curve reset (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

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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 to revise Section 5.14.1.2.2.2
    - Based on the status of Analysis Group's development of a potential 5-minute net EAS model and consideration of stakeholder feedback, the NYISO proposes to remove the previously discussed net real-time Energy revenue "adder" component from the proposal

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Proposal

Proposal

- **The NYISO is proposing to permit the usage of interval Real-Time Dispatch (RTD) prices (i.e., nominal 5-minute intervals) in the net EAS model, in addition to the currently permitted usage of hourly prices**
  - This proposal does not require the use of RTD interval pricing, but instead provides the option to evaluate net real-time Energy revenues at interval increments used by RTD if warranted based on consideration of the operating capability of a given technology option.
  - The decision of whether to use hourly or interval 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

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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 interval real-time prices 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 interval 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

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Draft Tariff Revisions

Draft Tariff Revisions

- **Draft tariff revisions are posted with today's meeting material and described herein for informational purposes only to assist with understanding and evaluation of the proposal**
  - Endorsement of proposed tariff revisions is not being requested as part of today's vote
  - The NYISO will continue to collaborate, as needed, with stakeholders on the accompanying tariff revisions in advance of seeking approval at the Management Committee (MC)

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Draft Tariff Revisions

- **MST Section 5.14.1.2.2.2**
  - Replaces 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
  - Establishes a requirement to determine as part of each DCR whether the evaluation of net real-time Energy 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

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Draft Tariff Revisions (cont.)

- **MST Section 5.14.1.2.2.2 (cont.)**
  - Clarifies 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 continues to 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

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Next Steps

Next Steps

- April 24, 2024 MC: Seek stakeholder approval of proposal and final tariff revisions
- May 2024: FERC Filing

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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

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