



Potential Market Problem Related to NYC TSL Floor Value for 2024-25 Capability Year: MMU Evaluation of the Market Impacts

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****See correction on Slide 2****



Introduction

- On April 10, NYISO issued a notice of potential Market Problem indicating that the Locational Minimum Installed Capacity Requirement (LCR) for Zone J was not calculated correctly because it was based on an incorrect transmission security limit (TSL) floor value.
 - ✓ The LCR was originally published in January 2024 and then used to calculate market parameters for the 2024-25 Capability Year and Summer 2024 Capability Period in March and early-April.
 - ✓ A corrected TSL was used to recalculate the LCR for Zone J before the spot auction for May 2024.
 - NYISO filed for a tariff waiver to allow it to correct the LCR for Zone J outside the proper schedule. **FERC issued an order granting the waiver on May 6, 2024.**
- The MMU was asked to evaluate the market effects of the error. This presentation discusses our planned approach and solicits feedback.



Potential Market Effects

- The LCR was corrected before the May 2024 spot auction, so the incorrect LCR was never used in a spot auction.
- *Potential Direct Effects*: NYISO identified “downstream processes” that are based on the final LCR case and thus may be affected. This includes determination of:
 - ✓ Capacity Accreditation Factors (“CAFs”) and related market parameters (e.g., NYCA and local translation factors)
 - ✓ Import rights
- *Potential Indirect Effects*: Some business decisions based on the incorrect LCR, including:
 - ✓ Bilateral transactions made between mid-January and mid-April.
 - ✓ Strip auction purchases and sales – The Summer 2024 Strip Auction was run before the error was identified, so participants likely expected higher spot prices in Zone J, which likely led to a higher strip auction price.



Downstream Processes

- NYISO decided not to modify CAFs and related parameters until the 2024-2025 Winter Capability Period, citing extraordinary administrative burdens and risks to perform a change during the 2024 Summer Capability Period
- NYISO determined that import right values calculated for the 2024-25 Capability Year did not require modification
- In assessing the impact, we seek to address systematic effects.
 - ✓ A systematic effect is where the change in a market parameter is statistically significant, indicating a measurable change in underlying value.
 - ✓ This is important because: market settlements may be calculated with 8 or 9 digits of precision, while they are often derived from quantities determined with just 2 significant digits.



Next Steps

- Return with a presentation addressing:
 - ✓ Indirect effects on:
 - Strip auctions
 - Bilateral transactions
 - ✓ Direct effect on the CAFs
 - This will evaluate on systematic effects.