

2025 - 2029 ICAP Demand Curve Reset: NYISO Staff Draft Recommendations

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Agenda

- **Background**
- **NYISO Staff Draft Recommendations**
- **Remaining Schedule**

Background

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- As part of each ICAP Demand Curve reset (DCR), NYISO staff is required to issue a draft of its recommended: (i) methodologies and inputs used for determining the ICAP Demand Curves for the four Capability Years covered by the periodic review; and (ii) ICAP Demand Curves for the first Capability Year covered by the periodic review
- NYISO staff's draft recommendations report is available on the ICAP Market webpage
- This presentation summarizes NYISO staff's draft recommendations and highlights areas of ongoing investigation

NYISO Staff Draft Recommendations

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- **In general, the NYISO staff concurs the independent consultant's recommendations**
 - Based on the data developed to date, NYISO staff agrees that a 2-hour battery energy storage system (BESS) represents the highest variable cost, lowest fixed cost peaking plant technology option for each demand curve that is economically viable and contributes to meeting New York's resource adequacy needs
- **Areas of ongoing investigation:**
 - Assessment of the appropriate weighted average cost of capital (WACC) parameters for the BESS options
 - Appropriate BESS derating factor for the translation of ICAP reference point prices to UCAP reference point prices
 - Appropriate indices and weightings for use in updating gross cost of new entry (CONE) values as part of the annual update process

Ongoing Evaluation: BESS WACC Parameters

- In its interim final report, the independent consultant updated the proposed financial parameters for the BESS options to account for various market and technology-specific risks, including future CAF uncertainty
- NYISO staff is continuing to evaluate the updated financial parameters, including the consideration of the potential risk for future CAF declines beyond the four year reset period to impact the BESS options and seeks stakeholder feedback to help inform its final recommendations

Ongoing Evaluation: BESS Derating Factor

- **MST 5.14.1.2 requires that the derating factor utilized in the translation of the ICAP reference point prices to UCAP terms be determined as part of the DCR**
 - The independent consultant has recommended a 2% derating factor for BESS based on their engineering experience
- **The ICAP Manual currently establishes that the initial derating factor a new BESS would receive upon entering the ICAP market is based on the NERC class average equivalent demand forced outage rate (EFORd) of pumped hydro storage until three energy storage resources are participating in the ICAP market and have sufficient historical operating data to establish a "NYISO class average" EFORd for energy storage resources**
 - The current NERC class average EFORd of pumped hydro storage is 9.19%
- **The information developed by the independent consultant identifies a potential misalignment between the assumed proxy EFORd value for energy storage directed by the Installed Capacity Manual and the potential operating performance anticipated for such resources**
- **NYISO staff is continuing to evaluate the appropriate derating factor that should apply for BESS for the 2025-2029 DCR and any steps that may be necessary to update current procedures for better alignment with the anticipated performance capability of new energy storage resources**

Ongoing Evaluation: Gross CONE Composite Escalation Factor

- **Certain stakeholders have raised concerns with the weighting factors and indices used as part of the annual updates for deriving the composite weighting factor that adjusts gross CONE values**
- **The appropriate indices and weightings remain under review by both the independent consultant and NYISO staff**
 - NYISO staff's draft recommendations reflect the preliminary weightings and indices identified in the independent consultant's interim final report
 - Consistent with past practice, the weighting factors are intended to represent the relative share of total capital costs encompassed by each of the four components composing the composite escalation factor
- **Further discussions regarding this matter will occur at the August 22, 2024, ICAPWG meeting to assist in developing final recommendations prior to the issuance of NYISO staff's interim final recommendations**

Remaining Schedule

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- **Written feedback on NYISO staff's draft recommendations may be submitted by August 16, 2024**
 - Please send comments to mmohrman@nyiso.com
 - Written comments received will be posted on the NYISO's website
- **The interim final NYISO staff recommendations will be posted on September 5, 2024**
 - This release is subject to an updated posting with final model inputs, reflecting data through August 31, 2024
- **The final staff recommendations and the independent consultant's final report, reflecting data through August 31, 2024, will be posted on September 19, 2024**
 - This release will include NYISO staff's proposed ICAP Demand Curves for the 2025-2026 Capability Year
- **Stakeholders may provide written comments to the NYISO Board of Directors (Board) by October 9, 2024**
 - Oral presentations to the Board are currently scheduled to occur on October 14, 2024
- **The NYISO is required to file the proposed outcomes for the 2025-2029 DCR, as approved by the Board, with FERC on or before November 30, 2024**

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