

# Operating Reserves Performance – Penalty Proposal and Tariff

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# Previous Presentations

Date	Working Group	Topic/Links to Materials
August 7 <sup>th</sup> , 2024	MIWG/ICAPWG	<a href="#">Operating Reserves Performance</a>
October 22 <sup>nd</sup> , 2024	MIWG/ICAPWG	<a href="#">Operating Reserves Performance Penalty Proposal</a>
November 4 <sup>th</sup> , 2024	MIWG/ICAPWG	<a href="#">Operating Reserves Performance Penalty Proposal</a>
November 13 <sup>th</sup> , 2024	MIWG/ICAPWG	<a href="#">Operating Reserves Performance Penalty Proposal and Tariff</a>

# Agenda

- **Project Background**
- **Review of Operating Reserves Providers**
- **Tariff Modifications**
- **Next Steps**

# Project Background

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## ■ Project Description:

- Assessing an operating reserves provider's stated capabilities or performance is becoming a growing concern as the grid becomes more dependent on intermittent generators and limited duration or limited energy resources
- When a provider's Day Ahead operating reserves schedule is converted to Energy in real-time, the resource must buy out its Day-Ahead reserves schedule. If the resource does not perform, it will also buy out the Energy not provided. However, under current market rules, there is no defined operating reserves penalty for failure to perform
- This project will seek to assess methods for evaluating the performance of an operating reserves provider and to develop a proposal for improving the market rules to create financial consequences for resources that misstate operating reserve capability and/or perform poorly when called upon to convert operating reserves to energy

## ■ 2024 Deliverable: Market Design Complete (tariff and vote)

# Project Background

- **The NYISO is proposing a penalty structure for resources with a Day-Ahead schedule to provide Operating Reserves and who fail to adequately perform in Real-Time**
- **Design Principle:**
  - Recover costs to consumers for Operating Reserves that were paid for but not provided while incentivizing Reserve providers to provide the scheduled Reserves.

# Review of Operating Reserves Providers

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- **As part of the Operating Reserves Performance project, the NYISO is proposing to establish a process for reviewing Operating Reserves Suppliers who consistently underperform**
  - When the Resource is identified for review, there will be a rebuttable presumption that the Resource's ability to provide Operating Reserves will be removed
    - The NYISO will require the Resource to perform a qualification test once the Resource has reported that it has addressed the cause of the poor performance



# Review of Operating Reserves Providers

- The proposal includes three different metrics for assessment, aimed at capturing a variety of behaviors
- This process and specific thresholds will be outlined in the ISO Procedures
  - The thresholds provided are illustrative and for the purpose of discussion. Specific thresholds will continue to be evaluated to ensure effectiveness of the metrics

# Review of Operating Reserves Providers

## ■ Metric 1

- Aimed at addressing Resource response during emergency grid conditions
- Reserve Pick-up and Audit Performance
  - The Resource will be reviewed if it fails to perform in an RPU event and/or audit
  - Any Resource that falls below 85% of average expected basepoint during an annual review of RPUs will also be reviewed

# Review of Operating Reserves Providers

## ■ Metric 2

- Aimed at addressing Resources that are frequently subject to the Operating Reserves performance charge
- Performance Index =  $[(\text{Hours in which the Resource is Scheduled Day-Ahead to provide Operating Reserves}) - (\text{Hours in which the Operating Reserves Penalty is Assessed})] / (\text{Hours in which the Resource is Scheduled Day-Ahead to provide Operating Reserves})$ 
  - The Resource will be reviewed if the Performance Index is:
    - Below 60% performance over one month; or
    - Below 85% performance over three consecutive months

# Review of Operating Reserves Providers

## ■ Metric 3

- Aimed at addressing Resources that are infrequently dispatched and do not adequately perform when dispatched
- Performance = (Real-Time Energy Provided) / (Real-Time Energy Requested)
  - The performance will be assessed during periods in which the Resource has a Day-Ahead schedule to provide Operating Reserves
  - The Resource will be reviewed if the average performance is below 50% over one month

# Tariff Modifications

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- **At the November 13 MIWG, the NYISO presented on proposed modifications to the following tariff sections:**
  - MST 15.3A: “Rate Schedule ‘3-A’ – Charges Applicable to Suppliers That Are Not Providing Regulation Service”
  - OATT 6.5: “Schedule 5 – Charges for Operating Reserve Service”
- **Within the language for MST 15.3A, the NYISO is proposing to include “pursuant to ISO Procedures” when referencing Suppliers that are Out-of-Merit**
  - The full language is posted with today’s meeting materials

# Next Steps

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- Address outstanding topics and associated tariff modifications as needed at an upcoming MIWG
- Bring the proposal to the December 11 BIC for a vote