Aligning Capacity Risk and Willingness to Pay for Capacity

3/3/25 ICAP Working Group

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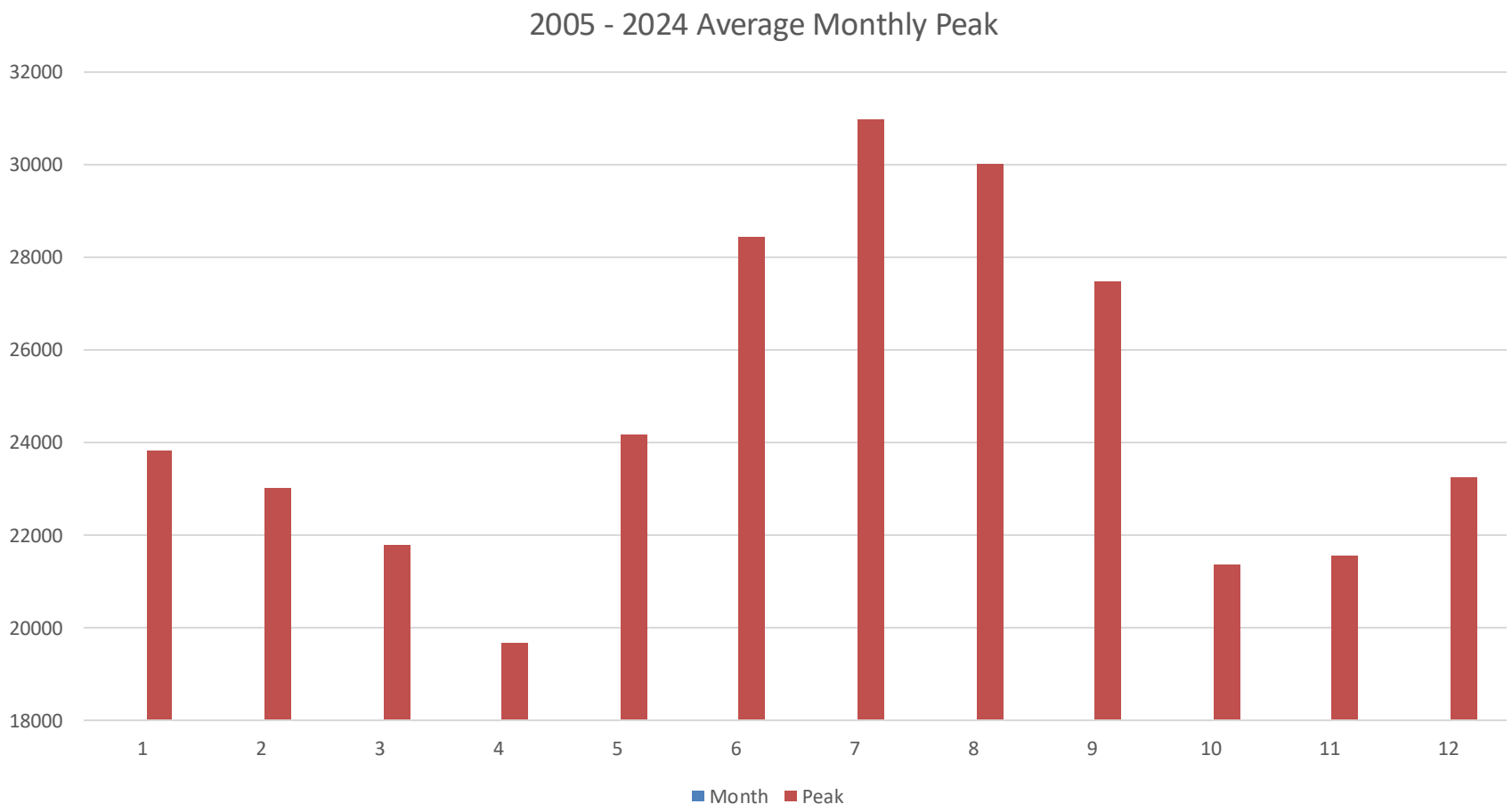
The NYISO Has Made Significant Progress In Aligning Capacity Payments with Resource Value

- The last several years have focused on developing Capacity Accreditation Factor to reflect individual Resource Value
- Starting in May, the NYISO will implement different Summer/Winter ICAP Demand Curves to represent the risk in each Capability Period
- The differing seasonal ICAP Demand Curves is an improvement but does not go far enough because risk is not spread equally across all months in a Capability Period

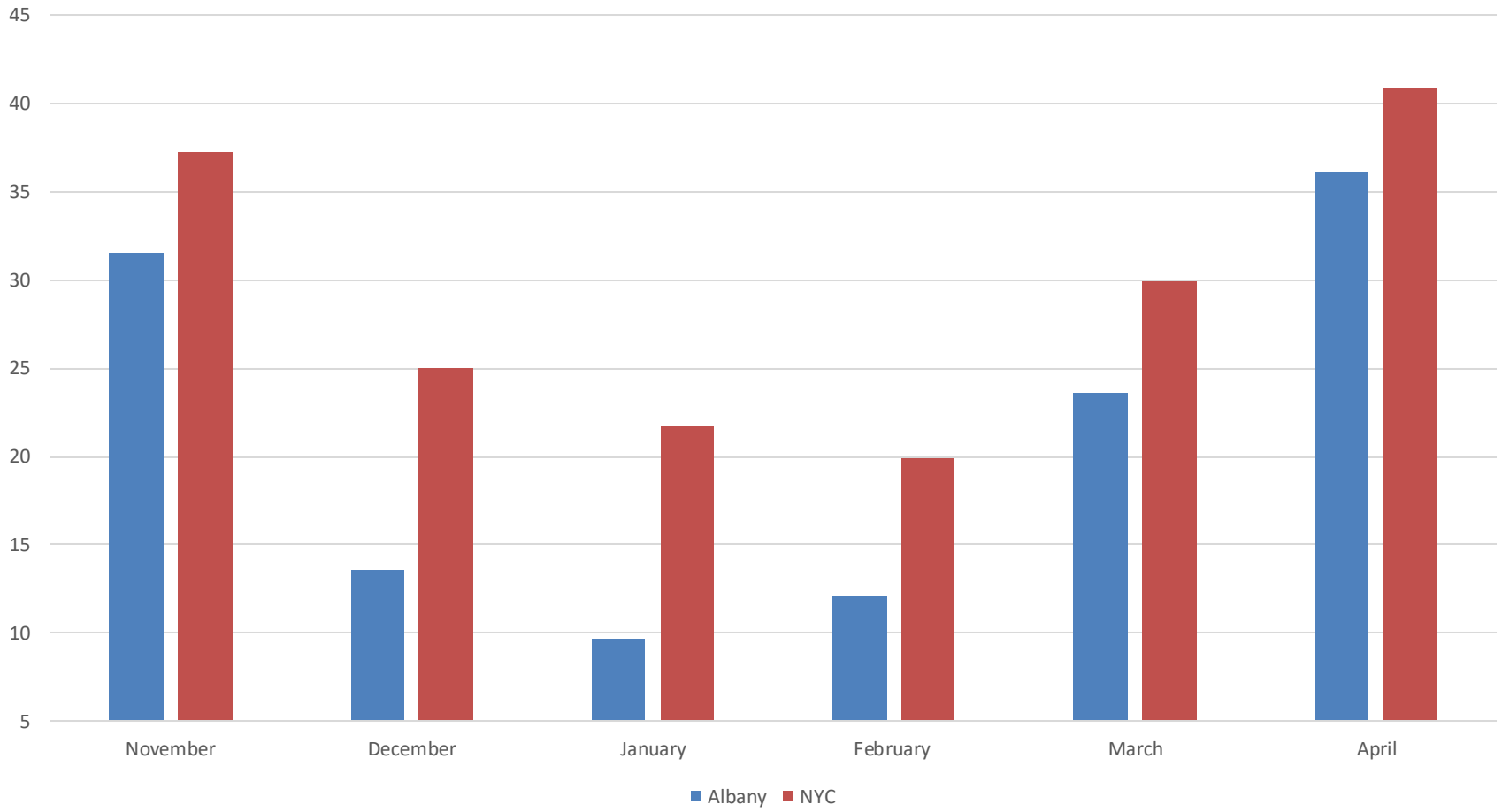
Risk Is Not Spread Evenly Across All Capability Period Months

- Winter Risk is mostly driven by:
  - loads (temperatures)
  - availability of non-firm gas
- Summer Risk is mostly driven by:
  - Loads

2005-2024 Average Monthly Peaks



Coldest Average Temperatures



Warmest Average Temperatures

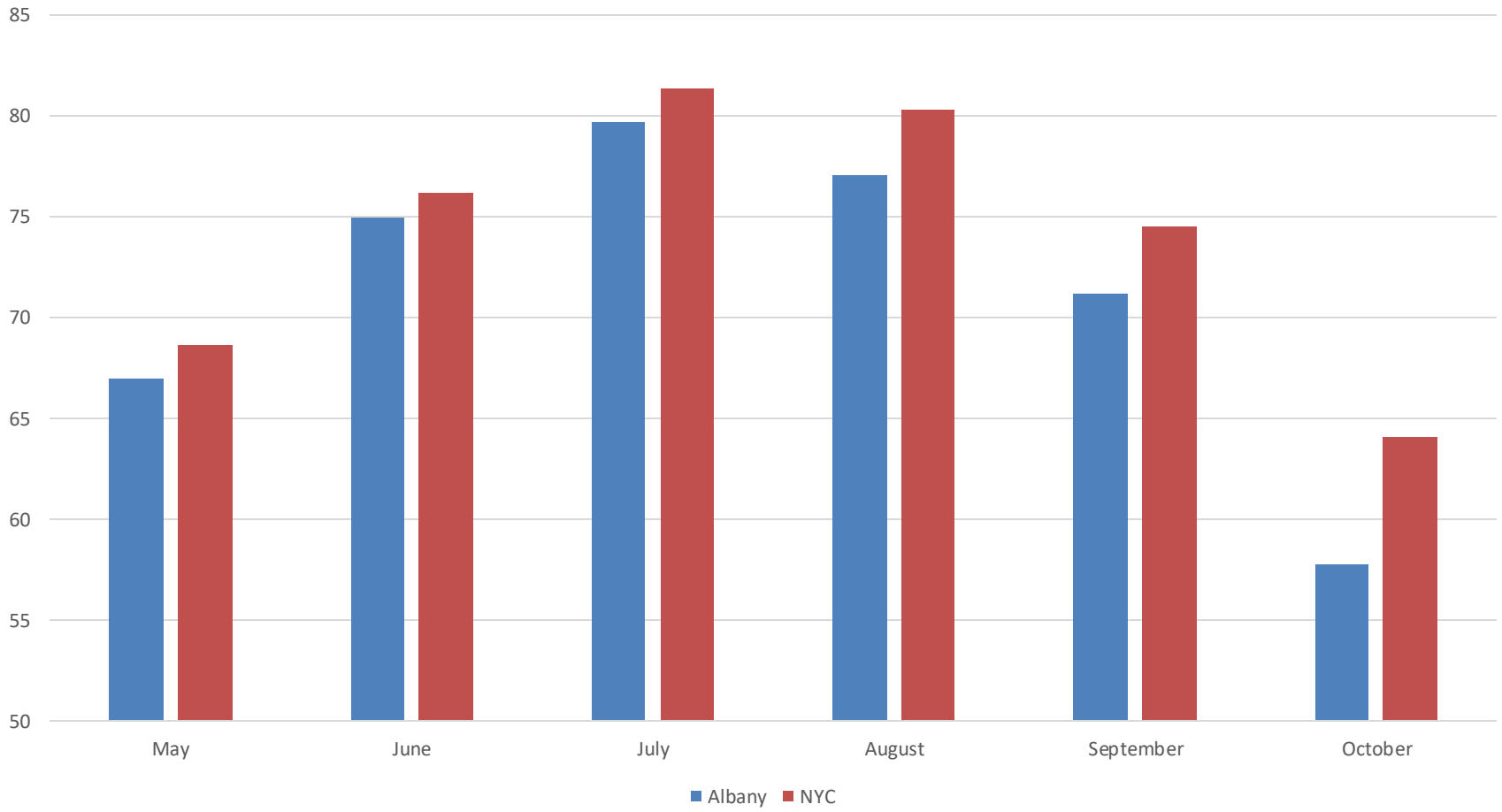


Table B.5 SCR Calls Per Month

SCR Calls Per Month	
Month	Days/Month
JAN	0.0
FEB	0.0
MAR	0.0
APR	0.0
MAY	0.0
JUN	0.4
JUL	2.6
AUG	3.5
SEP	1.6
OCT	0.0
NOV	0.0
DEC	0.0

Capacity Payments & Risk Should Align Better

- It makes no sense to be willing to pay the same for capacity resources in shoulder months with little risk that we would pay for capacity in months with significant risk.
- In winter that means paying more in December - February and less in the other three months.
- Summer really has three levels of risk:
  - Highest Risk – July & August
  - Middle Risk - June & September
  - Low Risk – May & October

The Monthly Demand Curves Should Roughly Reflect Risk

- This Could Easily Be Accomplished by Adjusting the Demand Curves
- I believe it is better to put in a simple method that can be implemented quickly than to pursue a complete redesign
- There are resources being added to the market in 2026 that are likely to take advantage of the current flaw in our market and sell capacity in the shoulder months without providing it during peak periods when it has the most value

NYCA Example

Winter			Summer	
All Months	$4.33/kW-Month		All Months	$5.73/kW-Month
Proposed Treatment (example based on 20% for Shoulder Months & 180% for Peak Months)				
November, March & April	$0.866/kW-Month		May & October	$1.15/kW-Month
December - February	$7.79/kW-Month		June & September	$5.73/kW-Month
			July - August	$10.31/kW-Month

Benefits of Proposal

- Aligns capacity market with risk
- Critical to making sure we get capacity when it matters most to the system
- Easy to implement – The only real issue is to determine the monthly multipliers – NYISO Ops will need to provide input
- Designed to provide the same seasonal value to resources that are there in all months

Adopting this Proposal or Something Akin to It to Differentiate Monthly Value is Imperative

- There are some large capacity providers that have been offering in low value months without offering when it has highest reliability value
  - This behavior is likely to expand in 2026
- Critical to address this issue now
- Likely a bigger impact than many of the issues currently considered for the Winter Reliability Enhancements project