

# Establishing Zone J Operating Reserves

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**Business Issues Committee**

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# Agenda

- Background/Overview
- Market Design Proposal
- Proposed Tariff Revisions Overview
- Next Steps

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# Background

# Previous Presentations

Date	Working Group	Discussion points and links to materials
01-08-19	ICAPWG/MIWG	<u><a href="#">Proposed schedule for accelerating implementation of Zone J operating reserves</a></u>
01-15-19	ICAPWG/MIWG	<u><a href="#">Establishing a new Zone J reserve region with a 500 MW 10-minute and 1,000 MW 30-minute reserve requirement</a></u>
01-24-19	ICAPWG/MIWG	<u><a href="#">Proposed operating reserve demand curve prices for the Zone J reserve products and the proposed tariff revisions for this initiative</a></u>
03-04-19	ICAPWG/MIWG	<u><a href="#">Analysis of potential impact</a></u>

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# Background

- Establishing a separate Zone J Operating Reserves requirement was originally recommended in the 2017 State of the Market and 2018 Management Response to Analysis Group's Capacity Resource Performance in the NYISO Markets: An Assessment of Wholesale Market Options (Performance Assurance Management Response).
- Stakeholders also raised concerns regarding the current market design in connection with reviewing scarcity pricing outcomes during SCR/EDRP activations in summer 2018.
- The Zone J reserve requirement is one of three components of the 2019 More Granular Operating Reserves project.
  - The deliverable for the remaining two components (evaluating load pocket reserves and reviewing reserve performance) remains a Market Design Complete in Q3 2019.
  - This proposal addresses accelerating the implementation of the Zone J reserve requirement component for June 2019.
    - If the accelerated implementation of the proposed Zone J reserve requirements is not approved at this time, it will be folded back into the broader project and its associated timeline.

# Background

- **Creating a Zone J reserve region and associated reserve requirements has the potential to provide:**
  - More efficient scheduling and procurement of resources.
  - Locationally specific market price signals for the necessary resource availability and flexibility to meet system reliability needs.
  - More efficient price signals during SCR/EDRP activations.
  - Produce incentive for investment in resources that can supply 10-minute and 30-minute reserve products.

# Zone J Operating Reserve Market Design Proposal

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# Zone J Operating Reserve Procurement

- **The NYISO proposes to establish a new NYC reserve region and procure 500 MW of 10-minute reserves and 1,000 MW of 30-minute reserves in Zone J, consistent with NYSRC reliability rules for NYCA reliability.**
  - NYSRC Rule G.B.R.3 requires roughly 500 MW of 10-minute operating reserve in NYC.
    - Currently, SCUC produces a report which compares the amount of 10-minute reserve procured to the 500 MW requirement.
    - If this local reliability rule requirement is deficient, then the NYISO notifies Con Edison so that the transmission owner can take manual action to procure the necessary reserve.
  - The NYSRC rules, in Table C-2, require 500 MW of 10-minute operating reserve and 1,000 MW of 30-minute operating reserves be procured in NYC for NYCA reliability.
    - Currently, if these requirements are not satisfied by the procurement of other existing reserve requirements, NYISO Operations, working with Con Edison, may take manual action to procure the necessary reserves.
    - If a deficiency of this reserve requirement is forecasted, NYISO would evaluate activating SCR/EDRP resources, among other actions.



# Zone J Operating Reserve Pricing

- **The NYISO is proposing to establish operating reserve demand curves that assign a \$25/MWh value to the proposed reserve requirements for Zone J.**
  - The NYISO recognizes that the activation of SCR/EDRP resources to protect Zone J reserves represents a \$500/MWh action.
  - This implies that a \$500/MWh demand curve price for Zone J reserve products could, in the longer-term, be an appropriate value to consider.
- **To facilitate an implementation for June 2019, the NYISO is not proposing to revise the Zone J reserve requirements during TSA events.**
  - Use of a \$500/MWh demand curve price, absent further evaluating the appropriate reserve requirements during TSA events, could result in unnecessarily high pricing outcomes during such events.
  - Similar to the approach that was taken with the implementation of the SENY reserve region, the NYISO proposes to initially implement a \$25/MWh demand curve price for Zone J reserves as part of an accelerated June 2019 implementation.
  - Potential revisions to the Zone J reserve demand curve prices and the treatment of the Zone J reserve requirements during TSA events will be further evaluated and discussed in the broader context of the 2019 More Granular Operating Reserves project.
  - Implementing a Zone J reserve region with a \$25/MWh demand curve value represents an incremental enhancement and would support more efficient pricing during Zone J SCR/EDRP activations.

# Proposed Tariff Revisions

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- Changes to the following tariff sections are proposed to address the establishment of a Zone J reserve region and associated reserve requirements :
  - MST Section 2.15
  - MST Rate Schedule 4 (Section 15.4)
  - MST Rate Schedule 6 (Section 15.6)
  - OATT Section 1.15
- The proposed tariff revisions are posted with today's meeting materials.

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# Proposed Tariff Revisions

## ■ MST Section 2.15: Definitions

- Proposed changes to the term “Operating Reserve Demand Curve” to remove unnecessary language that is already addressed in Section 15.4.7 of Rate Schedule 4 of the MST.

## ■ OATT Section 1.15: Definitions

- Proposed removal of unnecessary duplication of language between the MST and OATT by instead providing cross-references to the MST definitions of “Operating Reserves” and “Operating Reserve Demand Curve”.

# MST 15: Rate Schedules

- **Proposed changes within Rate Schedule 4 (MST Section 15.4) and Rate Schedule 6 (MST Section 15.6):**
  - **Proposed Revisions to MST Rate Schedule 4**
    - Revisions to reserve region descriptions and reserve clearing price calculations to account for a NYC reserve region (Sections 15.4.1.1, 15.4.4.1, 15.4.5.1, 15.4.6.1, and 15.4.7)
    - Revisions to scarcity pricing rules to account for a NYC reserve region (Section 15.4.6.1.1)
    - Establishment of Operating Reserve Demand Curves for a NYC reserve region (Section 15.4.7)
    - Ministerial revisions (Sections 15.4.1.2.2, 15.4.1.2.3, 15.4.2.1, and 15.4.6.1.1)
  - **Proposed Revisions to Rate Schedule 6**
    - Revisions to the payment calculations for Quick Start Reserve providers to utilize NYC reserve prices (Section 15.6.5.1)
    - Ministerial revision (Section 15.6.4)

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# Next steps

# Zone J Operating Reserves Timeline

- **Proposed schedule for accelerated deployment:**
  - March 2019
    - ✓ Seek stakeholder approval at BIC.
    - Seek stakeholder approval at MC.
  - April 2019
    - Assuming stakeholder approval, seek Board of Directors approval.
    - Assuming approval by the Board of Directors, file tariff revisions with FERC seeking approval to implement in June 2019.

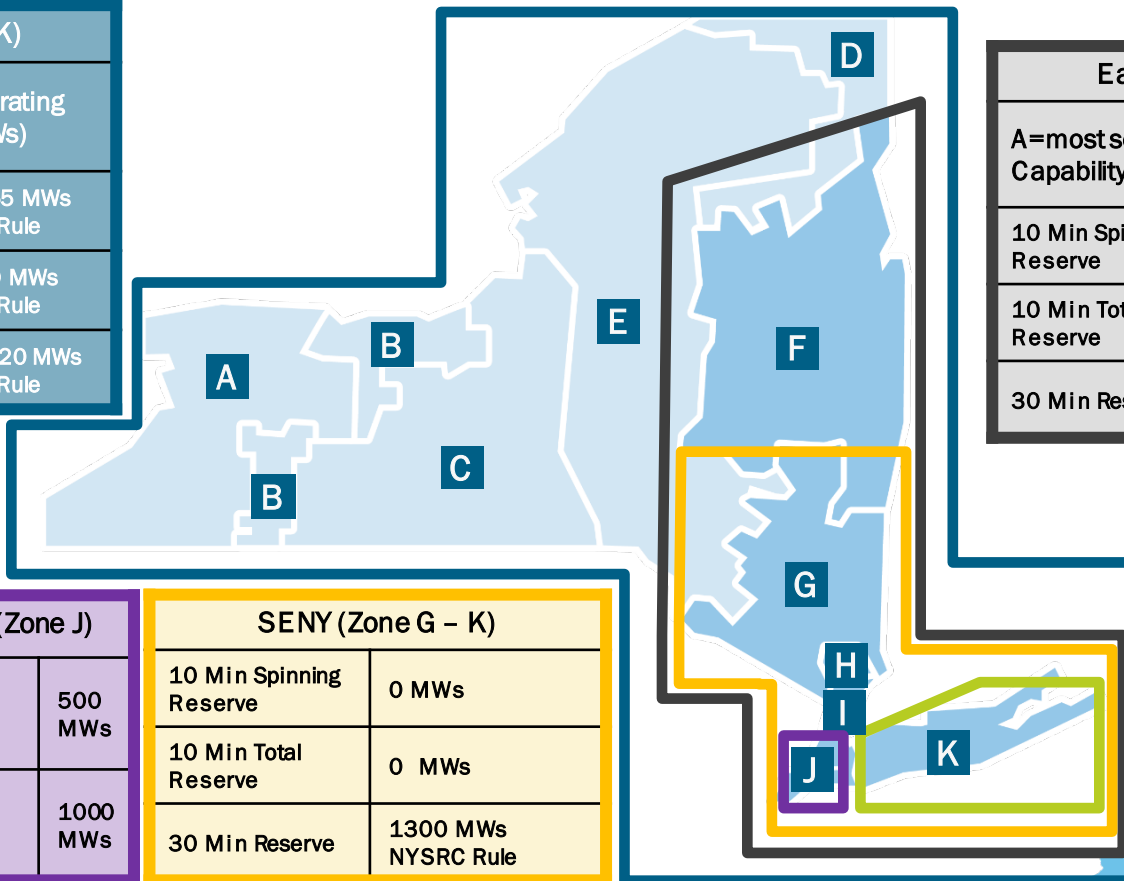
# Appendix



# NYCA Operating Reserves with Zone J

NYCA (Zone A – K)	
A=most severe NYCA Operating Capability Loss (1310 MWs)	
10 Min Spinning Reserve	½ A=655 MWs NYSRC Rule
10 Min Total Reserve	A=1310 MWs NYSRC Rule
30 Min Reserve	2xA=2620 MWs NYSRC Rule

East (Zone F – K)	
A=most severe NYCA Operating Capability Loss (1310 MWs)	
10 Min Spinning Reserve	¼ A=330 MWs NERC, NPCC Rule
10 Min Total Reserve	1200 MWs NYSRC Rule
30 Min Reserve	1200 MWs NERC, NPCC Rule



A	WEST
B	GENESE
C	CENTRL
D	NORTH
E	MHK VL
F	CAPITL
G	HUD VL
H	MILLWD
I	DUNWOD
J	N.Y.C.
K	LONGIL

NYC (Zone J)	
10 Min Total Reserve	500 MWs
30 Min Reserve	1000 MWs

SENY (Zone G – K)	
10 Min Spinning Reserve	0 MWs
10 Min Total Reserve	0 MWs
30 Min Reserve	1300 MWs NYSRC Rule

Long Island (Zone K)	
10 Min Spinning Reserve	0 MWs
10 Min Total Reserve	120 MW NERC, NPCC Rule
30 Min Reserve	270 – 540 MWs Max limits NYSRC Rule

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# Feedback/Questions?

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# The Mission of the New York Independent System Operator, in collaboration with its stakeholders, is to serve the public interest and provide benefits to consumers by:

- Maintaining and enhancing regional reliability
- Operating open, fair and competitive wholesale electricity markets
- Planning the power system for the future
- Providing factual information to policy makers, stakeholders and investors in the power system



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