Establishing Zone J Operating Reserves

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NEW YORK INDEPENDENT SYSTEM OPERATOR

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Agenda

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

Background

Previous Presentations

Date	Working Group	Discussion points and links to materials
01-08-19	ICAPWG/MIWG	Proposed schedule for accelerating implementation of Zone J operating reserves
01-15-19	ICAPWG/MIWG	Establishing a new Zone J reserve region with a 500 MW 10-minute and 1,000 MW 30-minute reserve requirement
01-24-19	ICAPWG/MIWG	Proposed operating reserve demand curve prices for the Zone J reserve products and the proposed tariff revisions for this initiative
03-04-19	ICAPWG/MIWG	Analysis of potential impact
03-13-19	BIC	Stakeholder vote: Establishing Zone J Operating Reserves

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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

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.

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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

Proposed Tariff Revisions

- 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.

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

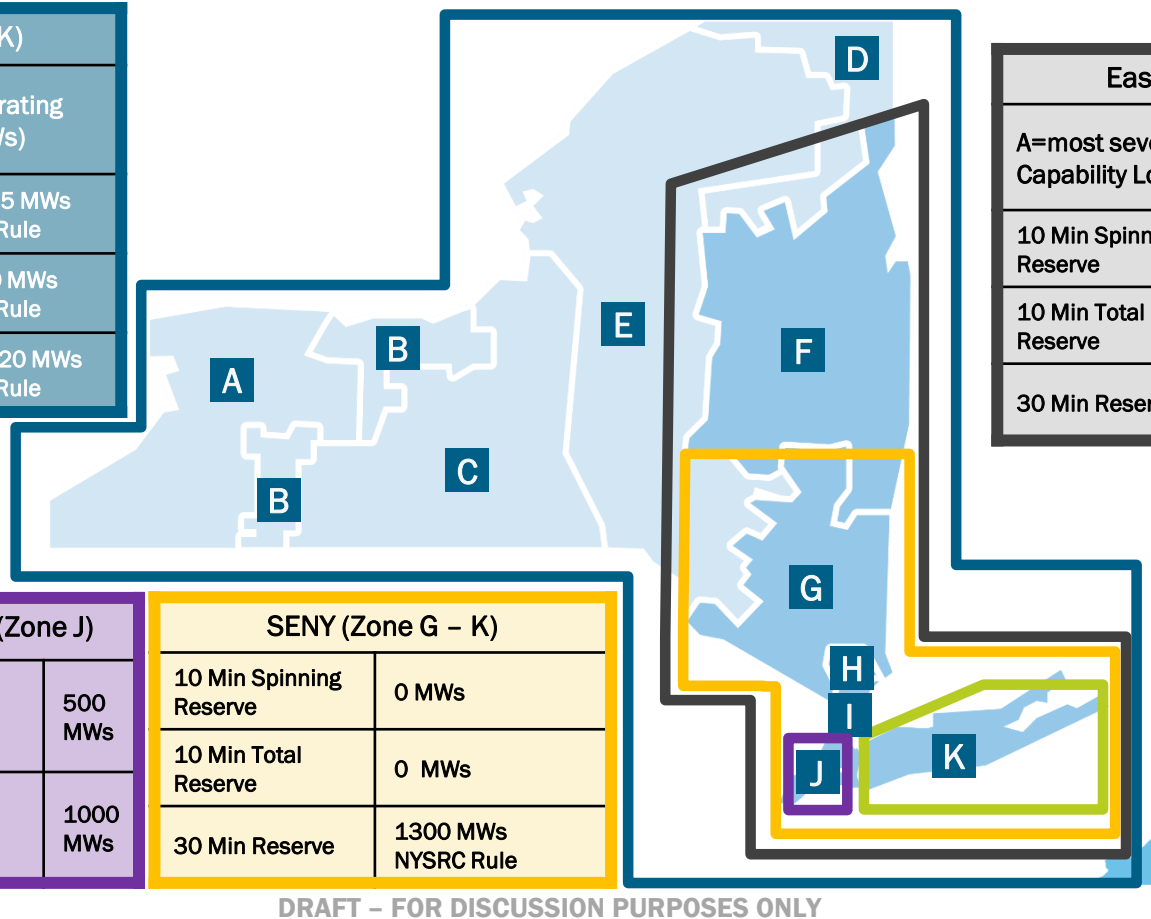
- **Proposed schedule for accelerated deployment:**
  - March 2019
    - ✓ Seek stakeholder approval at BIC.
    - ✓ Seek stakeholder approval at MC.
  - April 2019
    - Assuming stakeholder approval, seek Board of Directors approval.
    - Assuming approval by the Board of Directors, file tariff revisions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

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



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

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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- Planning the power system for the future
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